Wilf Csaplar Jr.   Economics 162   Homework #6   **Due Wednesday 3/25**

I will not be here on Friday 3/27, so this homework is due Wednesday 3/25.
Your exam will be handed back on Monday 3/30 with an answer key. I will make up the missing class by not going over the exam when I hand it back.

Place your name on the back of this sheet of paper and nowhere else. Staple your answers face up on the front of this sheet of paper. Failure to follow these directions will cost you 1 point. Your assignment will be typed, except graphs can be drawn by hand and mathematical equations can be done by hand. Failure to type it will cost you 10 points. If you use double-sided printing or print on the back of scrap paper, I will give you one additional point.

1) (20 points) Draw the Keynesian Cross, a.k.a. 45° diagram. Illustrate the effects of an increase in government spending. Explain why the curve(s) moved as drawn. What happens to the equilibrium level of GDP?

2) (20 points) Draw the Keynesian Cross, a.k.a. 45° diagram. Illustrate the effects of an increase in the marginal propensity to consume. Explain why the curve(s) moved as drawn. What happens to the equilibrium level of GDP?

3) (20 points) Draw the Keynesian Cross, a.k.a. 45° diagram. Illustrate the effects of an increase in income tax. Explain why the curve(s) moved as drawn. What happens to the equilibrium level of GDP?

4) (20 points) Draw the Keynesian Cross, a.k.a. 45° diagram for the USA. Illustrate the effects of an increase in the Canadian economy. Explain why the curve(s) moved as drawn. What happens to the equilibrium level of GDP in the USA?

5) Draw the Keynesian Cross, a.k.a. 45° diagram. Illustrate the effects of an increase in interest rates. Explain why the curve(s) moved as drawn. What happens to the equilibrium level of GDP?