

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.

Because I will be at a conference on 4/1, this assignment is due Wednesday not Friday.

For this assignment only, draw the SRAS Curve as an upward sloping line. The day you hand this in, is when we will determine what it looks like. Also, for this assignment only, if you move the LRAS, then move the SRAS the same direction and state it moved because the LRAS Curve moved. However, after this assignment, you will have to give a better reason for the SRAS Curve to move. The equilibrium is always where SRAS and AD cross.

- 1) (20 points) Draw the SRAS/LRAS/AD 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 and price level?
- 2) (20 points) Draw the SRAS/LRAS/AD diagram. Illustrate the effects of a decrease in taxes. Explain why the curve(s) moved as drawn. What happens to the equilibrium level of GDP and price level?
- 3) (20 points) Draw the SRAS/LRAS/AD diagram. Illustrate the effects of a decrease in the interest rate. Explain why the curve(s) moved as drawn. What happens to the equilibrium level of GDP and price level?
- 4) (20 points) Draw the SRAS/LRAS/AD diagram. Illustrate the effects of an increase in population. Explain why the curve(s) moved as drawn. What happens to the equilibrium level of GDP and price level?
- 5) (10 points) What curve that we discussed earlier in the semester is similar to the LRAS Curve? Explain why they are similar.
- 6) (10 points) Why does the AD Curve slope down? Explain the logic.