

The last one!

Place your name on the back of this sheet of paper and nowhere else. Staple your answers 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) (10 points) Explain the equation for the AD Curve, $Y=f(P)$.

- 2) (20 each) Illustrate the following on the SRAS/LRAS/AD diagram. Explain why the curve(s) moved as drawn. What happens to the price level and real GDP?
 - A) The government spends more.
 - B) The price of oil increases.
 - C) The population increases.

- 3) (10 points each) For each of the following determine if it is procyclical, acyclical, or countercyclical. Explain your logic. Is it leading, lagging, or roughly coincident? Explain your logic.
 - A) Inventory investment
 - B) Average duration of unemployment (Note, this is not the same as the variable mentioned in the textbook. The key word is “duration.”)
 - C) Employment