

Do not write your name on the assignment. Write your name only on the back of this sheet of paper and staple your answers on the front of this sheet of paper. Failure to follow these directions will cost you 1 point on the assignment.

- 1) (45 points) Draw the diagrams for the production function, labor supply and demand, and the AS/AD diagram with GDP on the x-axis in the manner that the Classical School would draw them. Illustrate on them a larger than normal number of students graduating from college. Explain why the curves moved as drawn.
- 2) (15 points) Here is an easy explain an equation question. Explain $Y = f(N, K, T)$.
- 3) (15 points) Explain why the classical AS curve is vertical.
- 4) (25 points) Use the classical AS/AD diagram to explain the Classical School's conclusion about monetary policy.