Wilf Csaplar Jr.   Economics 302   Homework #9   **Due Tuesday 11/15**
The Last One!
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 10 points. 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 LM Curve, r = L(Y).

2) (40 points) Draw the LRAS/SRAS/AD diagram, the real MS/real MD, and IS/LM/FE diagram. Use them to prove the neutrality of money. Make sure you explain why all of the curves moved and explain how it shows the neutrality of money.

3) (40 points) Draw the LRAS/SRAS/AD diagram, the real MS/real MD, and IS/LM/FE diagram showing the current unemployment rate of 3.7%. State how you know your graphs show that unemployment rate. What is the best fiscal policy? Illustrate the effects of that on the graphs. Explain why the curves moved as drawn. What happens to real GDP, inflation, unemployment rate, and interest rates? https://www.bls.gov/news.release/pdf/empsit.pdf

4) (10 points) Why doesn't an increase in the price level affect the real money demand? Explain your logic.