

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) (20 points) Draw the Keynesian Cross diagram, a.k.a.  $45^\circ$  diagram. Illustrate the effects of an increase in the interest rates. Explain why the curve(s) moved as drawn. What happens to the GDP?

2) (20 points) Draw the Keynesian Cross diagram, a.k.a.  $45^\circ$  diagram. Illustrate the effects of an increase in the MPC. Explain why the curve(s) moved as drawn. What happens to the GDP?

3) (20 points) Draw the Keynesian Cross diagram, a.k.a.  $45^\circ$  diagram for the USA. Illustrate the effects of an increase in the Canadian GDP. Explain why the curve(s) moved as drawn. What happens to the GDP for the USA?

4) (20 points) Below is an article about when President Biden's *Inflation Reduction Act* was passed by the Senate in August of last year. Draw the LRAS/AD diagram. Illustrate the immediate effects of the act. Explain why the curve(s) moved as drawn. What happened to inflation? Explain your logic. <https://www.bbc.com/news/world-us-canada-62457386>

5) (20 points) Draw the LRAS/SRAS/AD diagram. Illustrate the effects of an increase in the population. Explain why the curve(s) moved as drawn. What happens to GDP and inflation?