

Do NOT write your name anywhere. (Canvas will tell me who turned in the assignment.) All answers must be typed, except for mathematics and graphs. Take pictures of your written answers and use your own software or to create a single PDF size A4 or 8.5" x 11". At the top of my [webpage](#), I list several online sources which will convert pictures to pdfs, merge pdfs, and resize them. However, Apple phones may require using [CamScanner](#) before using the online sources. Failure to follow these directions will cost you 10 points.

- 1) (20 points) Draw the LRAS/SRAS/AD diagram. Illustrate the effects of an increase in population. Explain why the curve(s) moved. What happens to the GDP, inflation rate, and unemployment rate? Briefly explain your logic.
- 2) (25 points) Draw the LRAS/SRAS/AD diagram with an inflationary gap. Explain how you know that it is in an inflationary gap. If the government did nothing, how would the economy get back to equilibrium. Illustrate the effects of that on the graph. Explain why the curve(s) moved. What happens to the GDP, inflation rate, and unemployment rate? Briefly explain your logic.
- 3) (25 points) Draw the LRAS/SRAS/AD diagram with a recessionary gap. Explain how you know that it is in a recessionary gap. What is the best fiscal policy to get the economy get back to equilibrium. Illustrate the effects of that on the graph. Explain why the curve(s) moved. What happens to the GDP, inflation rate, and unemployment rate? Briefly explain your logic.
- 4) (15 points) Explain why movements of the LRAS must also cause movements of the SRAS, but the SRAS can move without the LRAS moving.
- 5) (15 points) Draw the Keynesian SRAS (not the modern one we used in the first three questions). Explain why it takes its shape.