

If you are not in the classroom with me, you must be on Zoom with both your camera and microphone on.

Do NOT write your name anywhere. (Canvas will tell me who turned in the exam.) Take pictures of your answers and use your own app or one of the pages I have links to on my home page to create a PDF for each answer which requires an upload. If it is large, resize it to A4. Upload that to Canvas. Upload each answer as a separate file with that question. Failure to follow directions will cost you one point. People with Apple products may need to use CamScanner app.

You are not allowed to use your books, notes, the internet, or other people when taking this test.

You can use the internet to access Canvas and to convert your answers to PDF files. Nothing else.

If you run out of time or lose your internet connection, you can do a second submission. You do NOT have to redo the questions you already did. I will be able to see every submission. If you have problems, you can always contact me via Zoom or e-mail.

Failure to follow these directions will cost you 1 point. The test has 100 points (to be scaled up to 160 points) and is scheduled to take 50 minutes. Therefore, expect to spend 1 minute for every 2 points. For example, a 12-point question should take 6 minutes. I have it set up to only give you an hour and a half.

1) (10 points) Answer EITHER Part A OR Part B.

A) Your book lists four keys to development of the economy. One of them is to *limit protectionism*. Define that and explain how that helps the country to grow.

B) Why is saving important for the economy to be able to produce more in the future.

2) (12 points) Answer EITHER Part A OR Part B.

A) In economics, what is the difference between short-run and long-run? Give an example to illustrate what you are saying.

B) The LRAS curve is very similar to another curve from earlier this semester. Which curve is the LRAS curve similar to? Explain how they are similar.

3) (14 points) Answer EITHER Part A OR Part B.

A) Suppose the consumption function is given by $C = 100 + .95(Y-T)$. How much is the government spending multiplier? Show all work. If the government wanted to increase GDP by \$1000, then how much would they have to spend? Show all work.

B) Suppose a person's consumption function is written as $C = 200 + .9(Y-T)$ and their disposable income is \$10,000. Find their MPC, MPS, APC, and APS. Show all work. If there is no work, state how you got the answer.

4) (14 points) Answer EITHER Part A OR Part B.

A) Explain crowding out. What does that do to the size of the government spending multiplier? Explain your logic.

B) President Trump had proposed lengthening the time a patent is valid. That proposal has both good and bad aspects to it. What is the good aspect of it? In other words, why did Trump propose it?

5) (20 points) Answer EITHER Part A OR Part B.

A) In the middle of 2019, the unemployment rate hit 4.3%. Draw the LRAS/SRAS/AD diagram to correspond to that unemployment rate. Explain how your graph shows that unemployment rate. What would the best fiscal policy be? Illustrate the effects of that policy on the graph. Explain why the curve(s) moved as drawn.

B) The current unemployment rate is 6.2%. Draw the LRAS/SRAS/AD diagram to correspond to that unemployment rate. Explain how your graph shows that unemployment rate. If the economy was left alone, how would it get back to full employment? Explain why that would occur. Illustrate the effects of that on the graph. Explain why the curve(s) moved as drawn.

6) (30 points) Answer EITHER Part A OR Part B.

A) Draw the LRAS/SRAS/AD diagram and the Keynesian Cross, a.k.a. 45° diagram. Illustrate the effects of an increase in the interest rates on both diagrams. Explain why the curves moved as drawn. What happens to the GDP, inflation rate, and unemployment rate?

B) Draw the LRAS/SRAS/AD diagram and the Keynesian Cross, a.k.a. 45° diagram. Illustrate the effects of an increase in the income tax rate on both diagrams. Explain why the curves moved as drawn. What happens to the GDP, inflation rate, and unemployment rate?