Wilf Csaplar Jr.                    Economics 302        Homework #8        **Due MONDAY 4/12**
The last one!
Place your name on the back of this sheet of paper and nowhere else. Staple your answers 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.

I noticed that because of breaks, if this homework was due on the date listed in the syllabus, it
would cover 1 class of material and the next homework would cover 4 classes of material.
Therefore, I changed its due date.  The changes to the syllabus are posted below.

| 3/22 | **Exam #3 Chapters 5 - ¼ of 7** | 3/24 | **Break** | 3/26 | Chapter 7 |
| 3/29 | Review Exam #3 | 3/31 | Chapters 7 & 8 | 4/2 | Chapter 8 **HW #7 Due** |
| 4/5 | **Break** | 4/7 | Chapter 8 | 4/9 | Review HW #7 Chapter 8 |

1) (10 points) Explain the equation for the AD curve Y = F(P).

2) (15 points each) For each of the following determine if it is procyclical, countercyclical, or
acyclical.  Explain your logic.  Is it leading, lagging, or roughly coincident?  Explain your logic.
Answer each part in separate paragraphs.
A) Employment
B) Stock prices
C) Inflation
D) Non-residential fixed investment (Give the answer I gave in class and agrees with what I
found online, not the one in the book.)

3) (20 points) Draw the LRAS/SRAS/AD diagram the way I drew it.  Illustrate the effects of an
increase in interest rates.  Explain why the curve(s) moved as drawn.  What happens to the GDP,
inflation rate, and unemployment rate?

4) (10 points) Business cycles are "recurrent but not periodic".  What does that mean?  Why is
that important?