

Do not write your name on the assignment. Write your name only on the back of this sheet of paper and staple your answers on the front of this sheet of paper. Failure to follow these directions will cost you 1 point on the assignment.

My home phone number has changed to 829-4348.

- 1) (10 points) The average growth rate of real GDP in the USA dropped in the late 1970s from 2.5% to 2.0%. Why is that important? (Hint: Use the doubling rule.)
- 2) (20 points) What is the economic reason that a more open economy grows faster?
- 3) (25 points) Why is the LRAS curve vertical? What moves it? Explain why this moves the curve.
- 4) (15 points) The reasons for the demand curve sloping downward do not apply to the AD curve. Explain why the logic does not apply to the AD curve.
- 5) (30 points) Malthus was wrong. We have not only not run out of food, the cost of food has decreased when adjusted for inflation. What was wrong with Malthus' logic? Do you think he will eventually be proven correct? Explain your logic.