

Write your name on the cover of the test booklet and nowhere else. Enclose this sheet with the booklet. Failure to follow these directions will cost you 1 point. The test has 100 points and is scheduled to take 50 minutes. Therefore, expect to spend 1 minute for every 2 points. For example, a 16-point question should take 8 minutes. I will give a few extra minutes, but probably no later than about 5 minutes, i.e., until the end of the hour.

- 1) (12 points) For EITHER the AD curve OR the classical SRAS curve, explain why that curve takes that shape.
- 2) (12 points) Do EITHER part A OR part B.
 - A) Explain the relationship between the LRAS curve and the PPC, a.k.a. PPF.
 - B) Explain the relationship between the AD curve and the Keynesian cross, a.k.a. the 45° diagram.
- 3) (16 points) Do EITHER part A OR part B.
 - A) Suppose that $C = 90 + 0.9Y$ and $Y = 1000$. Find the MPC, MPS, APC, and the APS. Show all work.
 - B) Does consumption depend more upon income or wealth? Explain your logic.
- 4) (20 points) Illustrate EITHER cost push inflation OR demand pull inflation on the SRAS/LRAS/AD diagram. Explain why the curve(s) moved as drawn and how you can tell there is inflation.
- 5) (40 points) Illustrate on BOTH the LRAS/SRAS/AD diagram AND the Keynesian cross, a.k.a. 45° diagram EITHER the event in part A OR the event in part B. Show the same event on both diagrams and explain why the curves moved as drawn.
 - A) Technology improves.
 - B) Wages increase.