Wilf Csaplar Jr.   Economics 162   Homework #8   **Due Thursday 4/2 by 11:00 AM**

Do NOT write your name anywhere. (Canvas will tell me who turned in the assignment.) Take pictures of your answers and use your own software or https://pdfcandy.com/ to create a single PDF. (pdfcandy.com will convert JPG to PDF, resize PDF, merge PDF and just about anything else you can think of with a PDF for free.) Upload that to Canvas. Upload each answer as a separate file with that question. Failure to follow these directions will cost you 10 points.

Unless I tell you otherwise, draw the modern SRAS and start with the economy at full employment.

1) (20 points) Draw the SRAS/LRAS/AD diagram. Illustrate the effects of the stimulus package which was just passed. (Pretend the whole $2.1 trillion is government spending.) Explain why the curve(s) moved as drawn. What happens to GDP, inflation, and the unemployment rate?

2) (20 points) Draw the SRAS/LRAS/AD diagram. Illustrate the effects of an increase in the price of oil. Explain why the curve(s) moved as drawn. What happens to GDP, inflation, and the unemployment rate?

3) (20 points) Draw the SRAS/LRAS/AD diagram. Illustrate the effects of an improvement in technology. Explain why the curve(s) moved as drawn. What happens to GDP, inflation, and the unemployment rate? The answer to the unemployment rate will depend upon your drawing. In theory, your graph could show it to increase, decrease, or not change.

4) (20 points) Draw the SRAS/LRAS/AD diagram and start with high unemployment. If the government did nothing, how would the economy get back to equilibrium? Illustrate that on the graph. Explain why the curve(s) moved as drawn. What happens to GDP, inflation, and the unemployment rate?

5) (10 points) Draw the Keynesian SRAS curve. Explain it looks as drawn.

6) (10 points) Two of the questions had events which resulted in higher inflation. Which was "cost push inflation" and which was "demand pull inflation"? Explain our logic.