

Exam 2

Pledge: "I pledge my honor that during this examination I have neither given nor received assistance, and that no have seen no dishonest work."

Signed: _____

Name: _____

Be sure to label all axes, curves, and equilibrium values where applicable.

The number of points each question is worth out of a total of 200 points is indicated in ()s next to each question.

On multiple choice questions circle the letter of the best answer.

(45) 1. Graphically depict the impact of an increase in the money supply in the

a) IS/LM diagram

b) money market

b) income/expenditure diagram

(45) 2. Give the following income/expenditure model,

$$(1) C = a + bY \quad \text{where } a = 50, b = .5, Y^d = Y + TR - T,$$
$$TR = TR_0 - TR_y Y, T = T_0 + T_y Y \quad \text{and where}$$
$$TR_0 = 10, TR_y = .2, T_0 = 20, \text{ and } T_y = .4$$

$$(2) I = \bar{I} \quad \text{where } \bar{I} = 15$$