Wilf Csaplar Jr.   Economics 302   Homework #4   Due 02/24

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. Your assignment will be typed, except graphs can be drawn by hand and mathematical equations can be done by hand. Failure to follow these directions will cost you 1 point on the assignment and failure to type it will cost you 10 points.

1) (15 points) Explain $NX = Y - (C^D + I^D + G)$.

2) (20 points each) Illustrate on the S/I diagram the following events. Draw each event on its own diagram and explain why the curve(s) moved as drawn. For Parts A & B, assume we are a small country and we have a CA deficit, a.k.a., a KFA surplus. For Part, assume we are a large country with a CA deficit and draw the diagram for the rest of the world.
A) The interest rate in the rest of the world goes up.
B) An adverse supply shock hits our economy.
C) Our MPK^f decreases.

3) (25 points) For the three events in question #2, give a real world example of what would cause that to occur. (For example, what would cause an adverse supply shock?) Explain how your examples illustrate the events.