Wilf Csaplar Jr.   Economics 302   Homework #4   Due 02/19

Do not put your name anywhere on the assignment, other than on the back of this sheet of paper. Staple your answers on the front of this sheet of paper. Failure to follow these directions will cost you 1 point. Your assignment will be typed, except graphs can be drawn by hand and mathematical equations can be done by hand. Failure to type it will cost you 10 points.

1) (10 points) Explain CA + KFA = 0. If you find it easier, you can explain it as KFA = - CA.

2) (20 points each) Illustrate the following events on the investment/savings diagram for a closed economy. Explain why the curve(s) moved. What happens to the level of investment and to the interest rate? Draw Parts A, B, and C on separate diagrams.
A) The corporate tax rate, τ, increases.
B) Wealth increases.
C) The depreciation rate increases.

3) (10 points) Why is the "increase in US-owned assets abroad" considered "financial outflow"?

4) (20 points) Suppose a country exports 200 worth of goods and 100 worth of services, imports 250 worth of goods and 75 worth of services, has net factor payments of -20, net unilateral transfers of -10, no net capital account transactions and statistical discrepancy, and an increase in foreign-owned assets in the country. (All numbers are billions of their currency.) How much is the increase in assets they own abroad, NX, CA, and KFA? Show all work. If it is not obvious what you are doing from the statistics, briefly explain how you are doing the calculation.