

Place your name on the back of this sheet of paper and nowhere else. 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. If you use double-sided printing or print on the back of scrap paper, I will give you one additional point.

1) (10 points) Explain $KFA = -CA$.

2) (15 points) Define “foreign-owned assets in U.S.” Explain why an increase is a financial inflow.

3) (15 points each) For each of the following events, determine what happens to the trade balance (NX), the current account (CA), and the capital financial account (KFA). For the KFA, determine if it is short-term capital or long-term capital. Briefly explain your logic for all variables (NX, CA, etc.).

A) We sell a Ford in Mexico for \$30,000.

B) We import an iPhone from China for \$500.

C) We sell \$10,000 worth of Exxon stock to a Canadian.

D) We buy a €5000 Greek bond from a Greek.

E) You transfer \$500 from your bank account in the USA to a bank in Switzerland.