Wilf Csaplar Jr.   Economics 302   Homework #5   **Due Friday 2/16**

Place your name on the back of this sheet of paper and nowhere else. Staple your answers face up on the front of this sheet of paper. Failure to follow these directions will cost you 10 points. 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) (5 points) Explain KFA = -CA.

2) (20 points) Draw the S/I diagram. Illustrate the effects of the increased government spending assuming Ricardian Equivalence does not hold.. Explain why the curve(s) moved as drawn. What happens to the interest rate, level of saving, and level of investment.

3) (20 points) Draw the S/I diagram. Illustrate the changes in commercial property values predicted in Europe. Explain why the curve(s) moved as drawn. What happens to the interest rate, level of saving, and level of investment. https://www.euronews.com/business/2024/02/08/is -a-commercial-real-estate-crisis-unfolding-across-europe

4) (20 points) Draw the S/I diagram. Illustrate the effects of the stock markets hitting new highs. Explain why the curve(s) moved as drawn. What happens to the interest rate, level of saving, and level of investment. https://finance.yahoo.com/news/stock-market-today-sp-500-hits-fresh- record-with-5000-in-mark-in-sight-210332631.html

5) (20 points) Given the article below, what will be the impact on the S/I diagram for Denmark? (The article is a Danish publication, so I am assuming it applies to Denmark.) Explain why the curve(s) did what you say they do. What happens to the interest rate in Denmark and the level of saving and investment in Denmark. (Assume they are a closed economy. Which must be false since they are part of the EU.)
https://en.klimatilpasning.dk/sectors/buildings/climate-change-impact-on-buildings/

6) (15 points) Your book implies that changes in the personal income tax rate, t, will have different effects upon the saving line, than changes in the corporate tax rate, τ. They do not explain why. Why do you think they would have different effects? Explain the effects of both and why you feel they will occur.