Wilf Csaplar Jr.   Economics 304   Homework #7   **Due Tuesday 3/28**

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 this assignment 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) The Forbes article below stated that the risk-free interest rate was 2.04% last May and calculated the real risk-free interest rate was -6.26%. What are those two numbers now? Provide a link to your sources and show all calculations.
https://www.forbes.com/advisor/investing/risk-free-rate/

2) (10 points) According to Yahoo Finance, the β for Rolls Royce is 1.66. Explain why you think that number makes sense. https://finance.yahoo.com/quote/RR.L/

3) (40 points) Draw the S/D diagrams for gas powered cars and electric cars. Illustrate the effects of a decrease in the costs of production of electric cars. Illustrate the general equilibrium feedbacks. Explain why the curves moved every time they moved. Stop when the next step would be a curve moving for a third time.

4) (30 points) Draw the Edgeworth-Bowley Box for bow ties and vests with me and Honsowetz as the two people. Draw three indifference curves for each person with three tangency points. Draw the contract curve. Choose any point off of the contract curve. Prove that moving to the contract curve can be done in such a way that both of us are better off. Make sure your graph is big enough so that I can see what is happening.

5) (10 points) Explain why the indifference curves for the person in the upper-right corner of the graph in Question #4 are drawn like that. In other words, why do they curve the direction they do and why increases in utility are drawn in the direction you indicate.