Questions for Chapter 16

Analyze the effect of the following shocks on the equilibrium values for real and nominal exchange rates in the long run.

1. Technological improvement in the US.
2. Increase in government spending in the US on US military goods.
3. Increase in monetary growth in the US.
4. World preferences change away from Japanese cars toward US cars.
5. Increase in the world price of oil, supported by a reduction in its supply.