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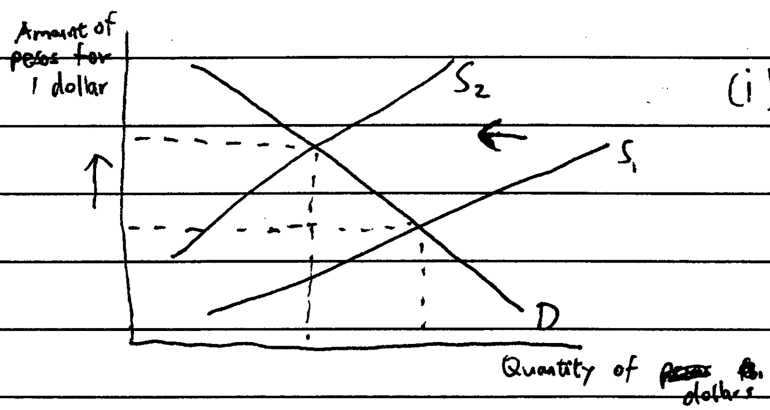
Write in the box the number of the question you are answering on this page as it is designated in the exam.

(a) The transaction will increase the value of imports of Argentina, which reduces the value of net exports for the nation and as a result, reduces aggregate demand since net exports is a component of aggregate demand.

(b) The transaction will increase the U.S. account balance by $10 million, since the current account is calculated by subtracting the value of all imports from the value of exports. ~~The~~ The transaction will increase exports by $10 million without affecting imports, thereby increasing the current account balance

(c)



(i) The supply of United States dollars decrease.

(ii) The value of United States dollars increase relative to the peso, as more pesos are now required to exchange for one dollar.

(d) Due to the difference in inflation rates, the Value of the peso will drop relative to the q3 macro 2010

Write in the box the number of the question you are answering on this page as it is designated in the exam.

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U.S. dollar. Since Argentina has a higher inflation rate, the ~~value of the peso~~ purchasing power of the peso will be falling at a faster rate than that of the dollar. Due to ~~the~~ this discrepancy, the dollar will become more valuable relative to the peso over time.