1. Use the following data about the economy of Celticland to answer the following questions.

Interest Rate i	Investment (I)	Savings (Sp)
8	2400	1200
15	1000	4000

a. Find

   i. The equations for I and Sp.

   ii. Equilibrium interest rate, and Investment

b. Now suppose there are capital inflows in the economy. Imports are 8000, while Exports are only 7400. Find:

   i. The new loanable funds supply equation

   ii. The new Equilibrium interest rate, Investment level , and Private Savings level.

   iii. How much does private savings changes because of this? Why does private savings change, and does this make sense?

    c.   Now assume the government is running a deficit of $1800 to build a new basketball arena for Celticland, and there are still capital inflows like in part b. Find:

          i.   The new loanable funds demand equation

          ii.   The new equilibrium interest rate and Total Investment, Total Savings, Private Savings, and Investment Spending

          iii.   How much private investment is crowded out (from part B) because of this government deficit? Why does this make sense?

          iv.   How much has total Investment increased from part A?   Is this an indeterminate change if you don't have specific numbers?

          v.   What is the change in Interest rates from part A? Is this an indeterminate change if you don't have specific numbers?