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2) (30 points each) Draw separate MPK^f/uc_K diagrams for each part and separate S/I diagrams. Draw the effects of the event. Explain why the curve(s) moved as drawn. What happens to the desired level of capital, the user cost of capital, and the amount of investment? Explain your answers.

A) The government spends more. Assume Ricardian Equivalence does not hold.

B) The price of capital increases.

C) The depreciation rate goes up.

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