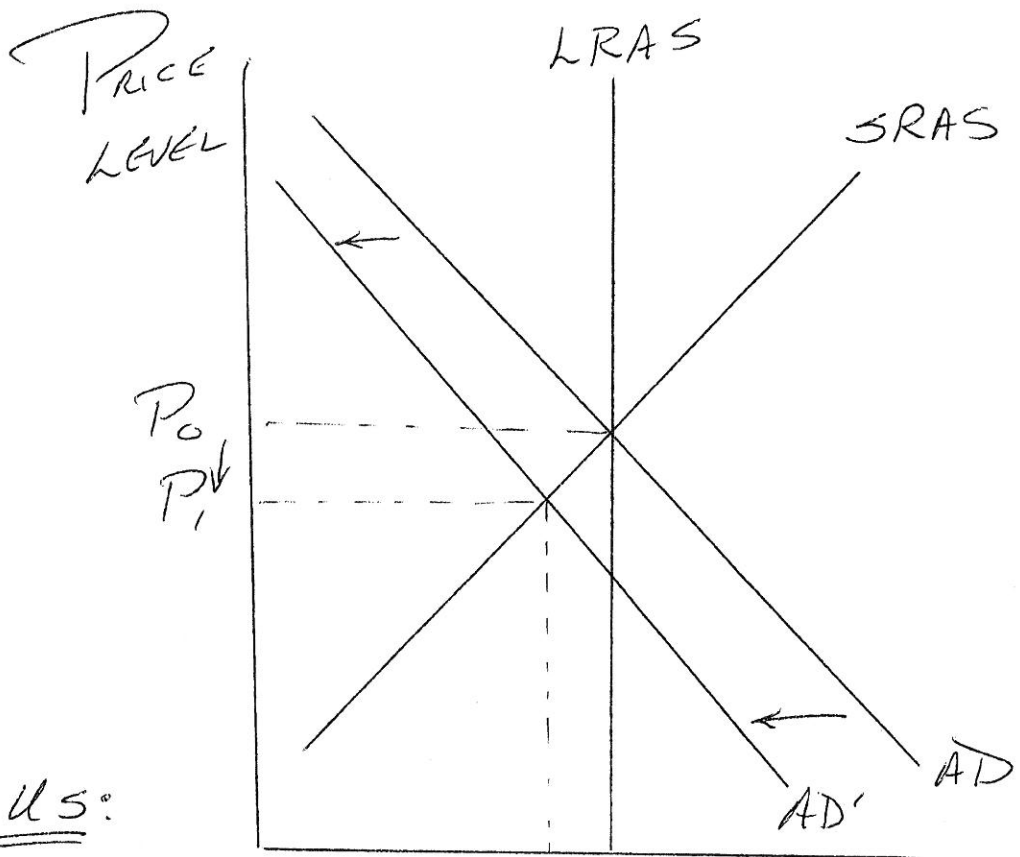


Scenarios

#1. SUPPOSE BREXIT CAUSES A BIG RECESSION IN EUROPE & THE U.K.

HOW WILL THAT AFFECT AN ECONOMY (U.S.) AT FULL EMPLOYMENT / L.R. EQUILIBRIUM?



EUROPE & UK RECESSION MEANS EXPORTS FALL ($NX \downarrow$) AD SHIFTS LEFT

IN US:

PRICE LEVEL FALLS
REAL GDP FALLS
UNEMPLOYMENT RISES

$Y_A \leftarrow Y_P$

$U_A \leftarrow U_N$
↑
↑

POTENTIAL REAL GDP

REAL GDP (US)

← NATURAL RATE OF UNEMPLOYMENT