



Antal blad /  
Number of sheets

08 ✓

# TENTAMEN / EXAMINATION

- Anvisningar:** Skriv din anonymitetskod på varje blad.  
Endast en uppgift får lösas på varje blad.  
Var vänlig skriv tydligt!
- Instructions:** Write your anonymous code on each sheet.  
Answer only one question on each sheet.  
Please write clearly!

Vänligen texta anonymitetskoden i textboxen enligt exempel nedan!  
Please write the Anonymous Code clearly in the textbox like example below!

**Bokstäver/Letters:**

A-B-C-D-E-F-G-H-I-J-K-L-M-N-O  
P-Q-R-S-T-U-V-W-X-Y-Z-Å-Ä-Ö

**Siffror/Numbers:**

0-1-2-3-4-5-6-7-8-9

Exempel: 

A	B	C	1	7	0	-	0	1	7
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NEGBO7

Kurskod + Kurs / Course Code + Course:

Macroekonomi B

Delkurs / Part course:

Anonymitetskod / Anonymous code =  
Kurskod + kodnr / course code + code number  
NEGBO7-005 ✓

Tentamensdatum /  
Examination date:  
23/5-16

## Behandlade uppgifter / Solved problems

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
X	X	X	X	X										
16	17	18	19	20	21	22	23	24	25	26	27	28	29	30

## Ifylles av lärare / To be completed by the examiner

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
3,5	1	2,5	4	3										
16	17	18	19	20	21	22	23	24	25	26	27	28	29	30

Poäng / Marks gained: 15

Betyg / Grade: G

Max poäng / Total marks gained: 25

För Gk poäng / Marks gained to be passed: 12,5

Exam. lärare / Kursansvarig signatur / Signature of the examiner

Namnförtydligande / Clarification of the signature



Skriv ej i detta område  
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1 (a) CPI measures a sort of basket of consumer goods. It differs from GDP-deflator by not bringing in the larger industrial things we produce, like steel in Sweden. The CPI are things relevant for us as individuals, food, transportation cost and so on.

(b) GDP can show how much the value of what our economy is producing but without dividing it by the amount of citizens it's impossible to determine a persons well being. Let's say a countrys GDP = 1000000\$. If there are 1000000 persons their per capita GDP > 1\$ each. But if there are 100 persons in the country they "have" 10000\$ each.

(c) GDP measures output and income at the same time. Because what we produce is also what we "sell". The goods/services price resulting in output which we also pay to resulting in income somewhere. It does it by looking at the two sides of the same coin so to speak.

Uppgift nr /  
Question no:

Poäng / Points  
awarded:

Lärarens  
anteckning  
Examiner's remarks:

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NEG307-005

Löpande sidnr  
Consecutive no:

2

2. GF(k, L)

Kapital and Labor are the Factors that determine the output

(y). Diminishing returns. 10 computers won't necessarily produce more than 1 with 1 worker.

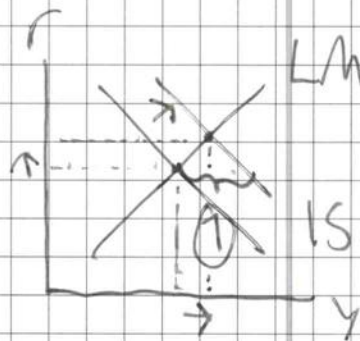
(c)

$$Y = C + I + G$$

$$Y = C + (Y - T) + I(r) + G$$

$$S = (T - G) + (Y - T - S)$$

$$G \uparrow = IS \uparrow$$



(1)

$$\Delta Y = \Delta G \cdot \frac{1}{1 - MPC}$$

When government purchases (G) increase, it moves the IS curve by equation (1). This results in a move of the IS curve upward and a new higher r and y is met.

(d)

When  $r \uparrow$  the want for investments are lower since it cost more to invest than before the change in G.

(d)

He claims that inflation doesn't change our purchasing power; that real interest rates are unchanged but that the nominal is changed. Thus saying that its only resulted in the money being printed and that there is no real point.

Uppgift nr /  
Question no:

Poäng / Points  
awarded:

Lärarens  
anteckning  
Examiner's remarks:

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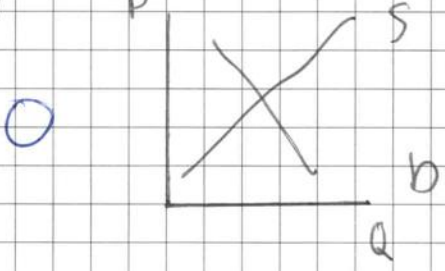
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NEGD01-005

Löpande sidnr  
Consecutive no:

3

2 (b) The fact that the supply is higher there will be less buyers. This resulting in a loss and making the producer change their prices to adjust to the market.



If we look at a global perspective the demand is reduced since there are some different producers.

Uppgift nr /  
Question no:

Poäng / Points  
awarded:

Lärarens  
anteckning  
Examiner's remarks:

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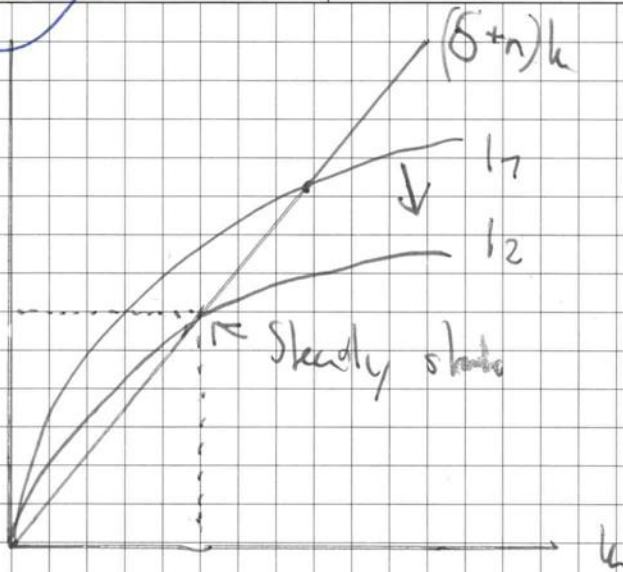
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Uppgift nr /  
Question no:

Poäng / Points  
awarded:

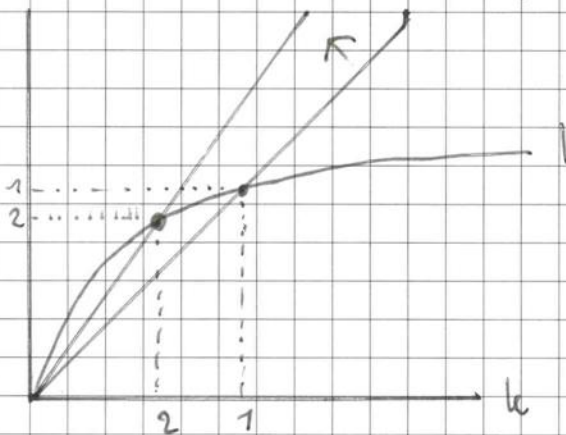
Lärarens  
anteckning  
Examiner's remarks:



$$S = (T-G) + (Y-T-S)$$

Steady state income  
is lowered because  
saving results in less Y.

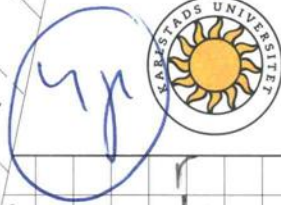
The saving rate affects the income in such a way that if you save more, you invest less, less investments leading to a lower level of growth  $(\delta+n)k$



It's unclear to say how the SS income is affected in this case.

It moves the steady state downwards in the function resulting in a smaller income. In the long run the growth will be positively affected by this but in the short run the growth will be smaller.

© The main weakness of the Solow model is that it assumes technological growth, something that other models say is wrong.

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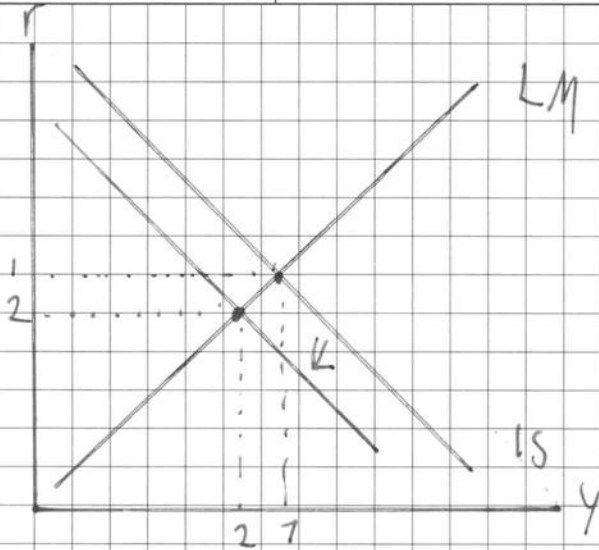
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5

Uppgift nr /  
Question no:

Poäng / Points  
awarded:

Lärarens  
anteckning  
Examiner's remarks:



Lets say the state decides to change taxes from 25% to 50%. This would have the IS curve downwards Why is it so? Because

$$\Delta t \cdot \frac{mpc}{(1-mpc)} = \Delta Y$$

The higher taxes change  $Y = C(Y-T) + I(r) + G$  making  $C$  smaller.  $C$  directly affecting  $Y$  makes  $C$  even smaller. This goes on "forever" until we moved IS by the amount that we can calculate with  $\Delta t$  formula above. You can see it as many many small changes ending when we see in the model above.

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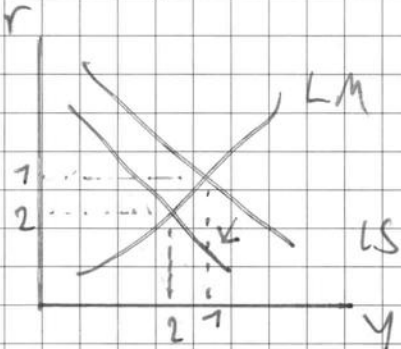
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Uppgift nr /  
Question no:

Poäng / Points  
awarded:

Lärarens  
anteckning  
Examiner's remarks:

4. 6) When  $t \uparrow$  then the IS curve moves  $\downarrow$



$$\Delta t \cdot \frac{MPC}{1-MPC} = \Delta Y$$

Interest rate: Decrease

Income: Decrease

Consumption: decrease

Investment: Increase

Since taxes are higher  
the consumption decreases.  
Government spending is the same.  
Investments increase, but not

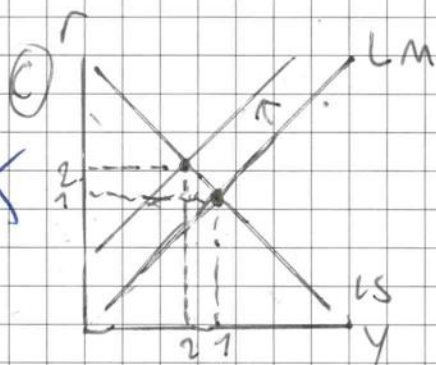
$$Y = C + I + G$$

$$Y = C(Y-T) + I(r) + G$$

$$Y = C(Y-T) + I(r) + G$$

$$C(Y-T)^2 < C(Y-T)^1$$

as much as consumption decreases.



Interest rate: Increase

Income: decrease

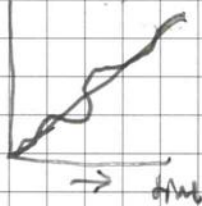
Consumption: decrease

Investment: Decrease

A monetary decrease results in a move in the LM-curve. It moves the LM curve upwards. Reducing the supply of money increases the interest rate. This reduces investment. This reduces  $Y$  resulting in a smaller consumption.

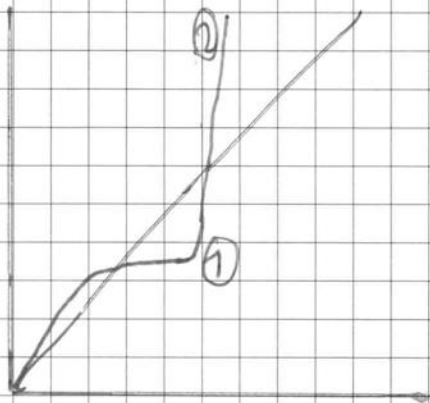


5. a. There is no clear answer. Some argue that rule is better some that discretion is better. This has its core in the discussion in if our attempts to help our economy works or not.



We know the market fluctuates. Some argue that if we do nothing the market will adjust itself over time. Some argue that it won't.

If we conduct economic policy by discretion a lot more of the human factor can change the result. If we conduct by rule it is more streamlined but might also give not as good results i believe. The risk is that our policies affect to much lets say we change a fiscal policy in point 1. But we change it to much resulting in point 2 that isn't good either.



I personally like things being passive because the market is just that, a market and it will adjust itself to some sort of equilibrium.





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8

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5. ⑤ Budget deficits do matter. If we have a budget deficit to try an adjust for an economic shock that happened, its ok. But if we have a larger budget deficit it will grow and grow resulting in our debt rising that <sup>then</sup> leads to "capital flight" with companies moving away bringing our GDP down resulting in a downward spiral.

Uppgift nr /  
 Question no:

Poäng / Points  
 awarded:

Lärarens  
 anteckning  
 Examiner's remarks:

⑥ Pros: Easy to access, a lot of money, in their own interest.

Cons: Risky if not successful, great depression.

I'm not familiar with the term "prop up" a financial system. I therefore assumed it means something along the lines of "help". It might be selling government bonds? If so the problem may be pushed forward to later generations resulting in a larger problem down the line.