



Antal blad /  
Number of sheets

10 ✓

# 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:**

Ø-1-2-3-4-5-6-7-8-9

Exempel: 

A	B	C	1	7	Ø	-	Ø	1	7
---	---	---	---	---	---	---	---	---	---

NEGA11 Makroekonomis, globalization & growth  
Kurskod + Kurs / Course Code + Course:

Makroekonomis, globalization & growth  
Delkurs / Part course:

Anonymitetskod / Anonymous code =  
Kurskod + kodnr / course code + code number

NEGA11 - ØØ5 ✓

Tentamensdatum /  
Examination date:

14/12-16

## Behandlade uppgifter / Solved problems

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

Poäng / Marks gained: 36

Betyg / Grade: VG

Examin. lärare / Kursansvarig signatur / Signature of the examiner

Max poäng / Total marks gained: \_\_\_\_\_

Namnförtydligande / Clarification of the signature

För Gk poäng / Marks gained to be passed: \_\_\_\_\_



Ange anonymitetskod / Write your anonymity code  
(Vid icke anonym tentamen ange kurskod + namn + personnummer)  
(For non-anonymous exams write the course code + name + civic registration number)

NEGA11 - 005

Löpande sidnr  
Consecutive no:

1.

Uppgift nr /  
Question no:

1

Poäng / Points  
awarded:

Lärarens  
anteckning  
Examiner's remarks:

gy An increase in reserve requirement will decrease the money supply in society. Also since the banks are required to hold more cash, they will loan out less cash, and hence decrease the money supply in society. On the open market this will result in more foreign buyers wanting to invest in the local currency, as they get a higher interest rate.

Explain the reason for this

Häftområde

Skriv ej i detta område  
Leave this area blank



NEGA11-005

2.

Häftområde

Skriv ej i detta område  
 Leave this area blank

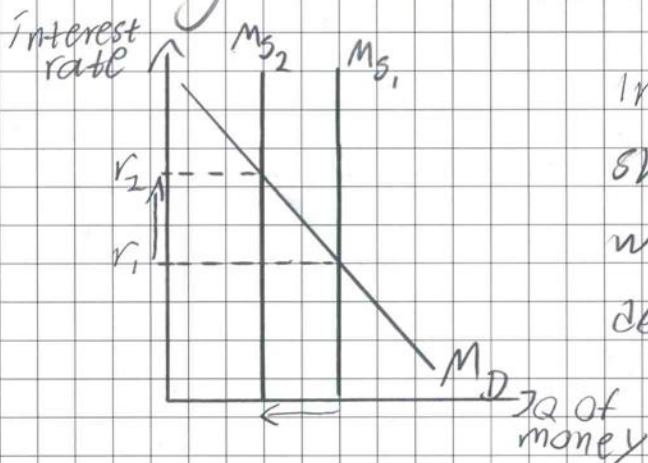
Uppgift nr /  
 Question no:

1

Poäng / Points  
 awarded:

Lärarens  
 anteckning  
 Examiner's remarks:

Increasing the reserve requirement will decrease the money supply. A decrease in money supply will increase the interest rate, figure below.

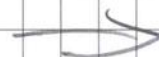


Interest rates will shift from  $r_1$  to  $r_2$  when money supply decreases from  $M_{S1}$  to  $M_{S2}$ .

Increased interest rates will lead to people borrowing less money from institutions. It will also be more profitable to save money as people get a higher return on their savings. This will lead to a decrease in demand of goods and services, and therefore the prices will decrease.

Investments will also decrease due to higher interest rates, as they now get higher

No, as prices are sticky in the SR





Ange anonymitetskod / Write your anonymity code  
(Vid icke anonym tentamen ange kurskod + namn + personnummer)  
(For non-anonymous exams write the course code + name + civic registration number)

NEGA 11-05

Löpande sidnr  
Consecutive no:

3.

Uppgift nr /  
Question no:

1

Poäng / Points  
awarded:

Lärarens  
anteckning  
Examiner's remarks:

b/ returns on their savings.  
As  $C \downarrow$  and  $I \downarrow$  our  
national income will decrease  
(since  $y = C + I + G$ ).

This can be seen as a  
contractionary monetary  
policy. ✓

c/ The increase in interest rate  
and decreased money supply  
will lead to our currency  
appreciating.

As our currency appreciates  
it will be more attractive  
for us to import as it will  
now be cheaper. It will also  
be less attractive for other  
countries to buy our exports  
as they will now be  
relatively more expensive.  
This will decrease our  
national income as  
 $X \downarrow$  and  $M \uparrow$  in  
 $Y = C + I + G + (X - M)$   
The trade balance will decrease. ✓

Häftområde

Skriv ej i detta område  
Leave this area blank



Ange anonymitetskod / Write your anonymity code  
 (Vid icke anonym tentamen ange kurskod + namn + personnummer)  
 (For non-anonymous exams write the course code + name + civic registration number)

Löpande sidnr  
 Consecutive no:

NEG11-005

4

Häftområde  
 Skriv ej i detta område  
 Leave this area blank

a This is not true.  
 Currency devaluation will lead to our countrys goods and services will be relatively cheaper. This will lead to our exports being more attractive, which will increase our output/GDP ( $Y$ ) as  $X \uparrow$  and hence  $M \downarrow$  in:  

$$Y = C + I + G + (X - M).$$

Uppgift nr /  
 Question no:  
 2.

Poäng / Points  
 awarded:

Lärens  
 anteckning  
 Examiner's remarks:

/yes in the SR, but in the LR NX bounces back as  $e$  and  $T$  adjusts

b Yes, it is much easier to control the effect on the exchange rate using monetary policy. As this is the job of the central bank, they are highly able to do so. As they can affect the amounts of different currencies in the market, for example by buying one currency for another. Effecting the exchangerate is one way of effecting the trade balance in a desired direction.

Would have been nice if you had commented on the situation under a fixed rate regime as well :-)



Ange anonymitetskod / Write your anonymity code  
 (Vid icke anonym tentamen ange kurskod + namn + personnummer)  
 (For non-anonymous exams write the course code + name + civic registration number)

Löpande sidnr  
 Consecutive no:

NEGA11-005

5.

Häftområde

Skriv ej i detta område  
 Leave this area blank

Uppgift nr /  
 Question no:  
 2.

Poäng / Points  
 awarded:

Lärarens  
 anteckning  
 Examiner's remarks:

Partly true. Since it will decrease the citizens disposable income, they will have less money to spend in the economy. On the other hand, their money will also have a positive effect on the economy as parts of it will be lent out, using the multiplier effect. This is one way of institutions "making" money.

SR: it's bad as Ct  
 LR: it's good as retirees' disposable income will be higher than otherwise

If a country wants to reduce their public deficit they will need to increase taxes, reduce government spending, or both. Both options will have a negative effect on the economy as a whole, as:

$$Y = C_a + b(Y - T) + I + G + NX$$

where  $T$  = taxes and  $G$  = government spending. This is a contractionary fiscal policy and could be useful in times of high inflation.

✓



Häftområde

Skriv ej i detta område  
Leave this area blank

a

$$Y = C + I$$
$$C = 60 + 0,8Y$$
$$I = 100$$
$$Y = 60 + 0,8Y + 100$$
$$0,2Y = 160$$
$$Y = 800$$

Uppgift nr /  
Question no:  
3.

Poäng / Points  
awarded:

Lärarens  
anteckning  
Examiner's remarks:



Answer: Equilibrium national income is  $Y = 800$

b

New  $I = 110$  and thus,

$$Y = 60 + 0,8Y + 110$$
$$0,2Y = 170$$
$$Y = 850$$



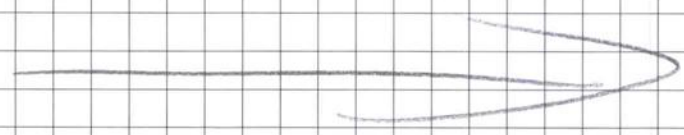
Answer: New equilibrium output is  $Y = 850$ .

c The multiplier will be:

$$\frac{1}{1-0,8} = \frac{1}{0,2} = 5 \quad \checkmark$$

$$AI = 10$$

Since this is a two-sector economy and the  $mpc = 0,8$  the rounds will be.





Ange anonymitetskod / Write your anonymity code  
 (Vid icke anonym tentamen ange kurskod + namn + personnummer)  
 (For non-anonymous exams write the course code + name + civic registration number)

Löpande sidnr  
 Consecutive no:

NEGA 11 - 005

7.

Häftområde

Skriv ej i detta område  
 Leave this area blank

Round

Initial  
 Injection

Spending multiplier  
 Effect

Uppgift nr /  
 Question no:  
 3.

0

10

$\Delta I \cdot 5 = 8 ?$

1

8

6.4

2

6.4

5.12

⋮

⋮

$\Delta I \cdot (k \cdot e^{-1})^t$

⋮

⋮

⋮

⋮

⋮

⋮

Poäng / Points  
 awarded:

Lärarens  
 anteckning  
 Examiner's remarks:

Total effect

50

Round Effect

Answer:

Effect round #1 = 8

Effect round #2 = 6.4





Ange anonymitetskod / Write your anonymity code  
(Vid icke anonym tentamen ange kurskod + namn + personnummer)  
(For non-anonymous exams write the course code + name + civic registration number)

NEGA 11 - 005

Löpande sidnr  
Consecutive no:

8.

Uppgift nr /  
Question no:

4.

Poäng / Points  
awarded:

Lärarens  
anteckning  
Examiner's remarks:

Education: In developing countries there are usually low or no access to education. Lack of education naturally leads to a lower level of development.

Migration: Skilled people will have a tendency to leave the developing countries. This leads to human capital leaving the country and hence leading to a lower level of development in the country.

Geographical position: The geographical location of a country will have a huge impact on a country's ability to trade. For example if the country has access to the ocean and can have a harbour or not.

Culture: For example deeply religious countries tend to have a lower level of development, since their religion may →

Häftområde

Skriv ej i detta område  
Leave this area blank



Ange anonymitetskod / Write your anonymity code  
(Vid icke anonym tentamen ange kurskod + namn + personnummer)  
(For non-anonymous exams write the course code + name + civic registration number)

NEGA11-005

Löpande sidnr  
Consecutive no:

9.

Uppgift nr /  
Question no:  
4

Poäng / Points  
awarded:

Lärarens  
anteckning  
Examiner's remarks:

Preach that they can't improve this life, but only their next life.

### Corrupt markets:

Corrupt markets will lead to much less or no competition, which will have a negative impact on development.

### Tax avoidance:

Developing countries, due to corruption, has a lot of their flow of money being "black money" and hence not contributing to the countries GDP.

### Healthcare

Developing countries don't have easy and inexpensive access to healthcare. They therefore has lower health and also a lower life expectancy. This will effect their ability to work and therefore counteract development.



Ange anonymitetskod / Write your anonymity code  
(Vid icke anonym tentamen ange kurskod + namn + personnummer)  
(For non-anonymous exams write the course code + name + civic registration number)

NEGA12-005

Löpande sidnr  
Consecutive no:

10.

Uppgift nr /  
Question no:

4

Poäng / Points  
awarded:

Lärarens  
anteckning  
Examiner's remarks:

9

### High population growth:

Less birth-control leads to a higher population growth rate. More mouths to feed in an already poor country leads to even more poverty and less development.

### High unemployment:

Developing countries tend to have a high level of unemployment. This in turn leads to low wages and hence less consumption.

### Restricting climate:

The climate may restrict developing countries from diversity in production of goods. For example some countries may be restricted to only being able to grow very few kinds of crops and therefore have a hard time developing into new industries.

Häftområde

Skriv ej i detta område  
Leave this area blank