HOCHSCHULE BREMEN
UNIVERSITY OF APPLIED SCIENCES

Economics - part II - Macroeconomics (AWS)
2nd February 2013   (45 min.)

Please note:

- For most of you, the Economics assessment is ONE EXAM of 90 minutes! The two parts are only relevant for the students of earlier semesters. For most of you, there will be one mark based on the percentage of the 90 points in 7 tasks - achievable in 90 minutes. There will be no marks for the parts, you cannot pass one single part, only the exam as a whole!

- At first please check the exam paper: are there 4 pages / all pages well readable?

- Please only work in the exam paper; use the boxes for your answers. Do not use own paper.

- Your calculations have to be shown. The complete solution (calculation) must be traceable!

- They can achieve **45 points** – in 45 minutes! => one minute is approximately worth one point; please consider the indicated scores. The tasks are formulated that way that usually short answers are required. Therefore do not spend too much time with "inferior" tasks!

- Permitted are: Pens, ruler, calculator (without word processing function), dictionary English-German / German-English (*resp. your home language if it is not German* – paper - no electronic translators).

Good Luck !

- Please do not use a pencil (except in diagrams) nor red pens.

- Mobile Phones have to be switched off!   *This is my … attempt to sit this exam* ↓

Family Name:														1.
First (given) **Name**:														2.
Matrikel / ID-No:														3.

Age:	Course: **AWS**	Semester:	Gender	Apprenticeship (y/n)

---

*Please do **not** enter anything below here:*

No. / Points:	
1.	(14)
2.	(20)
3.	(11)
Σ	(45)

Mark
Date:
Signature:

1 Markets, Efficiency and Economic concepts [14 points]

1.1 Compare a Market- and a Command-Economy from point of view of:
   (a) the different basic approaches
   (b) the necessary political system
   (c) the coordination system of the economy
   (d) number and types of plans in the economy [8 pt]

1.2 Describe the advantages and problems of a command economy [3 pt]

1.3 Assume that a country had no state education at all. For what reasons might the private education system not provide the optimal allocation of resources to and within education? [3 pt]

(14)

2   You live in Bremistan, an economy with the following consumption function:
$$C = 10\,000 + 0.8\,Y$$
(20 points)

The economy has government expenditures which are constant at 1 000 – it does not have any foreign trade at present but there are investments, which are constant at 1 000.
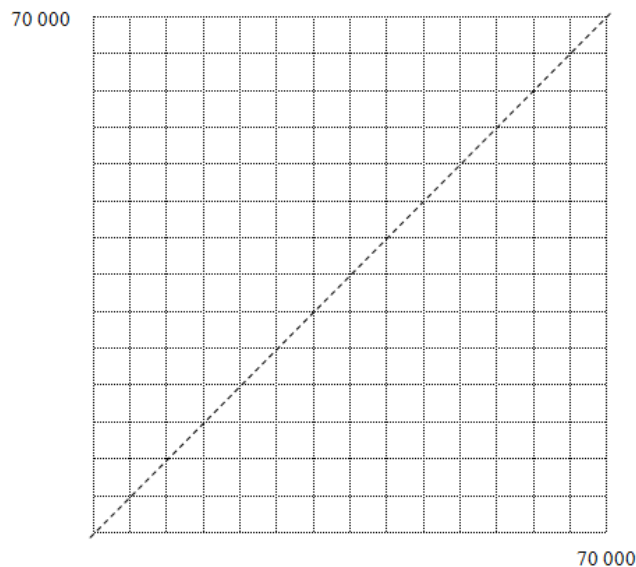
2.1 Explain the concept of this consumption function (in your own words). Who invented this model (names of author and model)? Can it be verified empirically (=using data)?   *(5 P)*

2.2 Complete the following table: *(4 P)*

Income	0	10 000	20 000	30 000	40 000	50 000	60 000	70 000	80 000	90 000	100 000
Consumption											
AD											

2.3 Calculate the equilibrium level of income.   *(4 P)*

2.4 Plot the consumption function, investment and aggregate demand on the 45° diagram below. Clearly identify the equilibrium level of income. *[Don't forget to properly label the axes and functions]*   *(3 P)*

70 000

70 000

2.5 The government increases the expenditure by ΔG = 1 000 *(4 P)*

Plot and calculate the new equilibrium. You will find, that ΔY is significantly larger than ΔI. Explain this effect – what is its economic name?

(20)

3 Macroeconomic Concepts *[11 points]*

3.1 Define M1, M2 and M3 (no literal definition but your description).
What is in M2 and not in M1- why are these aggregates defined like this?
Which concept is used by the ECB? [5 pt]

3.2 Which are the three ways of measuring GDP?
Briefly describe the basic concept of all three approaches. *(6 P)*

(11)