

Economics II mAcroeconomics (BIM 3)
Final test – Wednesday, 11 January 2017
(40 min. test as part of learning portfolio)

Please note:

- At first please check the exam paper: are there 5 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 must be shown. The complete solution (calculation) must be traceable!
- You can achieve these 40 points in 40 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 on "inferior" tasks!
- Permitted are: Pens, ruler, calculator (without word processing function), paper dictionary English-German / German-English (no electronic translators).
- Please do not use a pencil (except in diagrams) nor red pens!
- **Mobile Phones have to be switched off!**

Good Luck !

Name:													
First Name:													
MatrikelNo:													

Age:	Course (BIM or Internat.):	Semester:	Gender:	Apprenticeship (y/n)
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*Please do **not** enter anything below here:*

No. / Points:	
1.	(10+)
2.	(10)

No. / Points:	
3.	(10)
4.	(10)
Σ	(40)

Mark
Date:
Signature:

1 MC Questions

[Check **only ONE** answer – each question if worth 1.5 points ⇒ 10 + 5 **Bonus** points]

1. Which is the most accurate statement about trade?
 - A) Trade can make every nation better off.
 - B) Trade makes some nations better off and others worse off.
 - C) Trading for a good can make a nation better off only if the nation cannot produce that good itself.
 - D) Trade helps rich nations and hurts poor nations.
2. The term "productivity"
 - A) means the same thing as "efficiency."
 - B) is seldom used by economists, as its meaning is not precise.
 - C) refers to the quantity of goods and services produced from each unit of labor input.
 - D) refers to the variety of goods and services from which households can choose when they shop.
3. In less than two years in the early 1920s, the cost of a German newspaper rose from 0.30 marks to 70,000,000 marks. This is a spectacular example of
 - A) market power caused by a change in the country's standard of living.
 - B) market power caused by a single firm controlling the newspaper production.
 - C) inflation caused by increased productivity in the economy.
 - D) inflation caused by an increase in the quantity of money in the economy.
4. Which of the following is a topic studied in Macroeconomics?
 - A) the functioning of individual industries
 - B) aggregate behavior of households and industries
 - C) the behavior of individual households
 - D) the decision-making behavior of individual business firms
5. The largest income component of GDP is
 - A) proprietors' income.
 - B) rental income.
 - C) compensation of employees.
 - D) corporate profit.
6. The equation for GDP using the expenditure approach is
 - A) $GDP = C + I + G + EX - IM$.
 - B) $GDP = C + I + G + (IM - EX)$.
 - C) $GDP = C + I + G + EX + IM$.
 - D) $GDP = C + I + G - EX - IM$.
7. If you save \$80 more when you experience a \$400 rise in your income,
 - A) your MPS is 0.25.
 - B) your MPC is 0.80.
 - C) your MPC is 0.85.
 - D) your MPS is 0.40.
8. In macroeconomics, equilibrium is defined as that point at which
 - A) saving equals consumption.
 - B) planned aggregate expenditure equals aggregate output.
 - C) planned aggregate expenditure equals consumption.
 - D) aggregate output equals consumption minus investment.
9. If autonomous consumption increases, the size of the multiplier would
 - A) increase.
 - B) decrease.
 - C) remain constant.
 - D) either increase or decrease depending on the size of the change in autonomous consumption.
10. Which of the following is NOT a category of fiscal policy?
 - A) government policies regarding the purchase of goods and services
 - B) government policies regarding taxation
 - C) government policies regarding money supply in the economy
 - D) government policies regarding transfer payments and welfare benefits

(10 + 5 Bonus)

2 You live in an economy where the consumption is equal to the following function:

$$C = 50 + 0.9 Y \quad [10 \text{ points}]$$

The economy has no government expenditure and does not have any foreign trade at present but does have investment expenditure, which is constant at 50

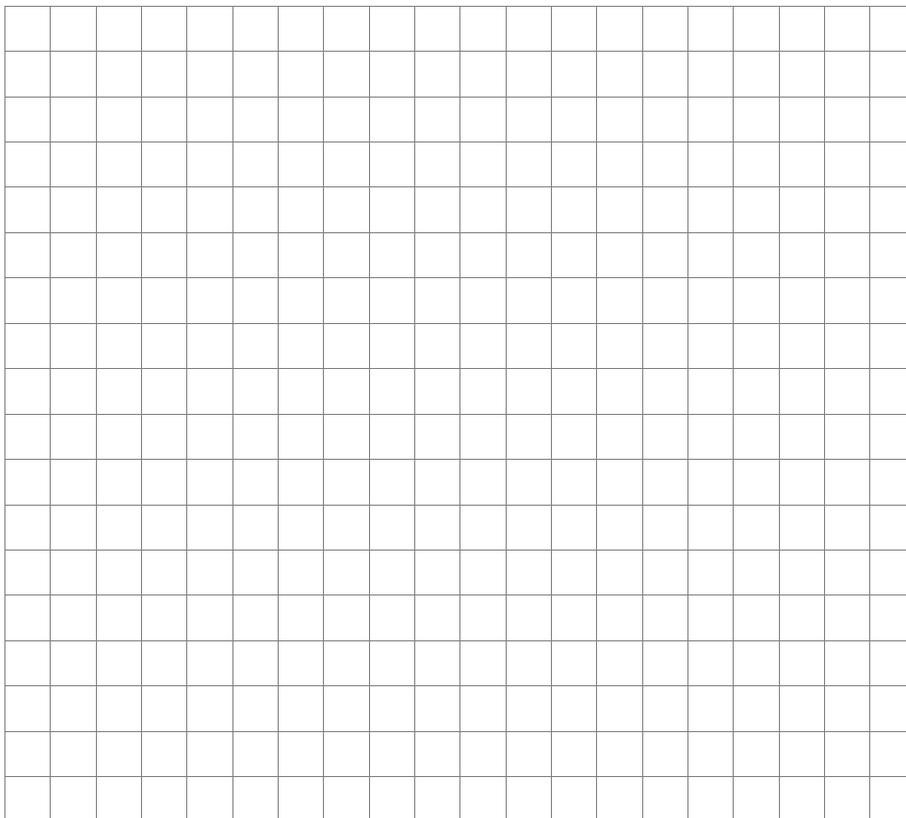
2.1 Complete the following table: (3 P)

Income	0	50	100	200	500	1000	1500	2000	5000
Consumption									
AD									

2.2 Calculate the equilibrium level of income. (2 P)

2.3 Now plot your consumption function, investment and aggregate demand on the 45° diagram below.

Clearly identify the equilibrium level of income. (3 P)



2.4 What happens if now the Government spends 50? (2 P)

(10)

3 Macro-Economic Theories and Applications

(10 Points)

3.1 According to F. Hayek (or M. Friedman or A. Smith), how should market outcomes be influenced by the government? *(3 P)*

3.2 During the financial Keynesian mechanisms were used. Name examples

(3 P)

3.3 Which are the Monetary Policy instruments of the ECB?

(4 P)

(10)

4 Macro-Economics in Review (A)

(10 Points)

4.1 What are the main reasons for unemployment?

(Name the two different kinds and explain them)

(2 P)

4.2 What is the intention of the unemployment benefit?

What might unintended effects?

(3 P)

4.3 Which are the phases of the business cycle?

(3 P)

4.4 What phase is Germany currently in?

(2 P)