Question 1

2 pts

An **increase in the interest rate** r_t would generate an **upward shift** of the IS-curve

- True
- False

Question 3 — 2 pts

By how much would GDP change if you buy a used car from a friend for $5000?

- $0
- $5000
- It would depend on the inflation rate.
- $2500

Question 4

2 pts

截图(Alt + A)

The production function model is unsuccessful in explaining the differences in GDP per capita across countries. Countries with **MORE capital per capita** actually have **LESS GDP per capita.**

- True
- False

Question 5

3 pts

Given the AD/AS framework described by:

$$\tilde{Y}_t = \bar{a} - bm(\pi_t - \bar{\pi})$$

$$\pi_t = \pi_{t-1} + v\tilde{Y}_t + \bar{o}_t$$

Which parameter would you change in the model if the Central Bank decides to be **more aggressive** against inflation when they conduct **monetary policy?**

- b
- $\bar{\pi}$
- m
- v

Question 6

3 pts

Assume $\alpha = \frac{1}{3}$. Use the Solow Model to answer this question.

If the saving rate increases by 10%, **capital per capita in steady-state** would increase by

- 10%
- 15%
- 0%
- 5%

Question 8

3 pts

The quantity equation states that: $M_t V = P_t Y_t$

Imagine that the Central Bank decides to increase the money supply, so they increase the growth rate of money to 5%. Which of the following is true:

- In the long run, the growth rate of prices will be close to 5%, while the growth rate of output will be close to 0%.
- In the short run, the growth rate of prices will be close to 5%, while the growth rate of output will be close to 0%.
- In the long run, both the growth rate of prices and the growth rate of output will be close to 5%.
- It would depend on the value of the parameter α, which is around 0.33.

Question 9

3 pts

If the Ricardian Equivalence holds

- Increasing government purchases wouldn't generate a positive demand shock ($\overline{a} \approx 0$), independently on when it is financed.
- Increasing government purchases would generate a positive demand shock ($\overline{a} > 0$), independently on when it is financed.
- Increasing government purchases wouldn't generate a positive demand shock ($\overline{a} \approx 0$), only if it is financed by increasing current taxes.
- Increasing government purchases would generate a positive demand shock ($\overline{a} > 0$), only if it is financed by increasing taxes in the future.

Question 10

3 pts

Given the AD/AS framework described by:

$$\tilde{Y}_t = \bar{a} - bm(\pi_t - \bar{\pi})$$

$$\pi_t = \pi_{t-1} + v\tilde{Y}_t + \bar{o}_t$$

Which parameter would you change in the model if **firms react more (change their borrowing more aggressively) to changes in the interest rate?**

- v
- $\bar{o}$
- m
- b

Question 11

3 pts

Given the AD/AS framework described by:

$$\tilde{Y}_t = \bar{a} - bm(\pi_t - \bar{\pi})$$

$$\pi_t = \pi_{t-1} + v\tilde{Y}_t + \bar{o}_t$$

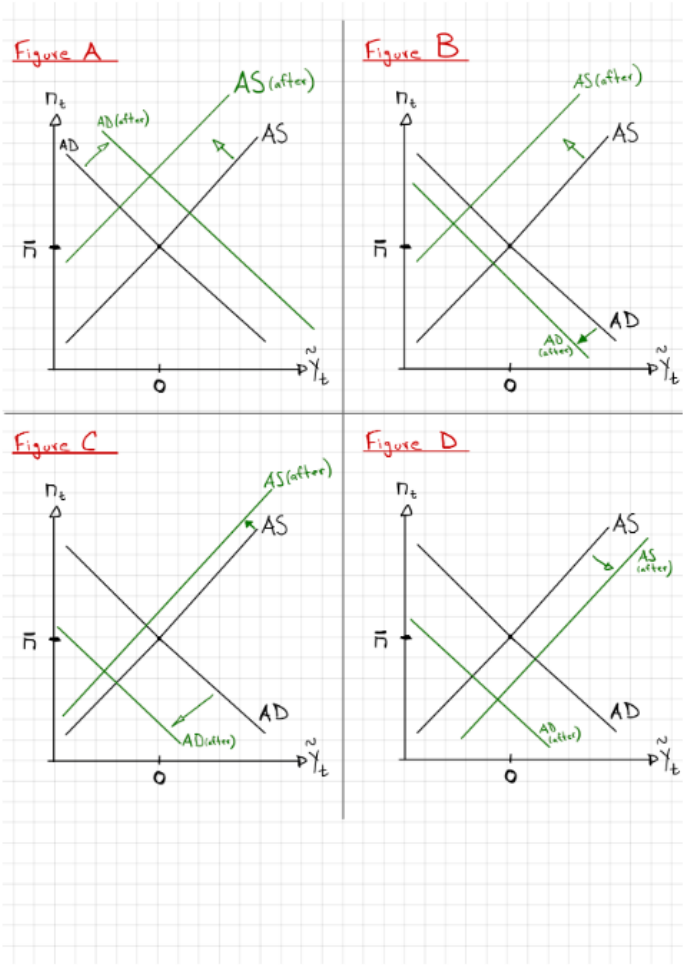
Which parameter would you change in the model if the government does **expansionary FISCAL policy?**

(Note: Expansionary FISCAL policy involves decreasing taxes, increasing government expenditures or both.)

- $\bar{a}$
- $\bar{\pi}$
- m
- $\bar{o}$

Which of the following figures describe the AD and AS curves that are **consistent with a Coronavirus shock**?

Note: In the figure, green lines show the AD and AS after the shock.



- Both Figure A and Figure C could be consistent
- Only Figure D is consistent
- Both Figure B and Figure C could be consistent
- Only Figure A is consistent

Question 15

3 pts

Some economists think that the coronavirus will imply a **STRONGER SUPPLY shock than demand shock**. If that is the case what would you expect to happen to inflation and output?

- Inflation will go UP and output will drop below potential.
- Inflation will go DOWN and output will drop below potential.
- Inflation will go DOWN and output will drop STAY at potential.
- Inflation will go UP and output will STAY below potential.

Question 16

3 pts

Some economists think that the coronavirus will imply a **STRONGER DEMAND shock than supply shock**. If that is the case what would you expect to happen to inflation and output?

- Inflation will go UP and output will drop below potential.
- Inflation will go DOWN and output will drop below potential.
- Inflation will go UP and output will stay at potential.
- Inflation will go DOWN and output will stay at potential.