**Macroeconomics · Exam 1 · 26 March 2026**

**1.** Which sentence is not true in the 45-degree model?
(a) An increase in the propensity to consume does not lower the multiplier (of autonomous spending)
(b) The higher the propensity to save, the lower GDP
(c) An expansionary fiscal policy could explain a rise in GDP
(d) The multiplier (of autonomous spending) depends positively on autonomous consumption

**2.** Which sentence is not true?
(a) Aggregate demand increases with disposable income
(b) Aggregate demand decreases with taxes
(c) Aggregate demand grows with autonomous investment
(d) Aggregate demand decreases with transfers

**3.** What does not shift the IS curve?
(a) Changes in the tax rate (the ratio of taxes over income)
(b) Changes in transfers
(c) Changes in government (or public) spending
(d) Changes in the interest rate

**4.** What is true in the Blanchard version of the IS-LM model?
(a) An increase in both interest rate and GDP is impossible
(b) A contractionary monetary policy can never neutralize the effect on GDP of an expansionary fiscal policy
(c) An expansionary fiscal policy always raises the interest rate
(d) None of the above

**5.** What is not true regarding the LM relation?
(a) It comes from equating the demand for money and the supply of money
(b) Open market operations do not always shift it upwards
(c) It is built presuming that the demand for money depends negatively on the interest rate
(d) It is upward sloping in the Blanchard version of the LM

**6.** A tax cut
(a) shifts the IS to the left and the LM upwards.
(b) shifts the IS to the right and does not affect the LM.
(c) affects neither the IS nor the LM.
(d) None of the above

**7.** The euro does not depreciate against the dollar if
(a) the euro area interest rate falls.
(b) the US inflation rate decreases.
(c) the euro area GDP grows.
(d) None of the above

**8.** If a devaluation of the euro against the dollar occurs,
(a) the euro area aggregate demand decreases.
(b) the dollar experiences a revaluation against the euro.
(c) the euro area trade balance (net exports) is unaffected.
(d) None of the above

**9.** Which sentence is not false?
(a) The liquidity trap means that the IS becomes horizontal
(b) In an open market operation the central bank sells T-bills
(c) A fall in the public deficit is an expansionary fiscal policy
(d) The Phillips curve links inflation and unemployment rates

**10.** In the IS-LM model, less government spending implies
(a) lower interest rate and, hence, lower investment.
(b) higher disponsable income and, thus, higher consumption.
(c) lower income and, therefore, more money demand.
(d) None of the above

**11.** In Blanchard's IS-LM model, what fiscal and monetary policy mix increases GDP and lowers the interest rate?
(a) Fiscal, contractionary; monetary, contractionary
(b) Fiscal, expansionary; monetary, contractionary
(c) Fiscal, contractionary; monetary, expansionary
(d) Fiscal, expansionary; monetary, expansionary

**12.** Net exports (the trade balance) depend positively on
(a) the exchange rate and negatively on foreign GDP.
(b) domestic GDP and negatively on domestic prices.
(c) domestic prices and negatively on domestic GDP.
(d) foreign prices and negatively on the exchange rate.

**13.** In Blanchard's IS-LM-PC model,
(a) an expansionary fiscal policy lowers the inflation rate.
(b) a contractionary monetary policy raises the inflation rate.
(c) a devaluation reduces the inflation rate.
(d) None of the above

**14.** The mainstream view is that, in the long run,
(a) monetary policy can modify GDP.
(b) fiscal policy necessarily modifies GDP.
(c) exchange rate policy can modify GDP.
(d) None of the above

**15.** If domestic prices grow faster than foreign prices,
(a) the purchasing power parity exchange rate increases.
(b) the exchange rate appreciates.
(c) the domestic trade balance runs a surplus.
(d) None of the above

## Write your answers in MINUSCULE (lower case letter)

No answer: +0 · Correct answer: +1 · Incorrect answer: −1/4 · Concepts in the statements are defined as usual

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
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DNI Number _____ 1st Surname _____ Name _____

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