Macroeconomics · Twin exam 2 · 7 May 2026

B

1. In a 45-degree model of the Spanish economy, an increase by the Trump administration in the tariffs on Spanish products
(a) tends to increase the Spanish GDP.
(b) tends to decrease the Spanish net exports.
(c) causes inflation.
(d) None of the above

2. What could not explain a GDP fall in a 45-degree model of the Spanish economy?
(a) The European Central Bank decision to raise the interest rate
(b) The decision by the government of Spain to cut the tax rate
(c) A recession in the US
(d) None of the above

3. The Iranian government launches attacks that destroy all refineries and energy infrastructures in the Middle East. According to the IS-LM model of the euro area,
(a) inflation surges.
(b) unemployment skyrockets.
(c) the euro depreciates.
(d) None of the above

4. The blockade of the Strait of Hormuz is expected to last at least one year. Unable to obtain raw materials and intermediate products from the Middle East, 10% of the Spanish businesses close. It is not true in an IS-LM of the Spanish economy that
(a) GDP contracts because fewer business cause a reduction in private investment and hence a shift to the left of the IS.
(b) GDP expands if all the business that close exported all their production.
(c) GDP contracts because, with fewer business, unemployment increases and hence private consumption diminishes.
(d) None of the above

5. The war in Iran is increasing the US public deficit. In an AS-AD model of the US economy,
(a) GDP goes up because the military expenditure in the war counts as an expansionary fiscal policy.
(b) the inflation rate goes down because an increasing public deficit is a contractionary monetary policy.
(c) unemployment is rising by Okun's law.
(d) None of the above

6. In an AS-AD model of the Iranian economy, the ongoing war
(a) is causing a negative shock to the AS function.
(b) is causing a positive shock to the AD function.
(c) is causing a deflation and a currency appreciation.
(d) None of the above

7. In the currency market model between the Iranian rial (IRR) and the US dollar (USD), the US blockade to Iranian exports
(a) depreciates the IRR because Iranian exports fall.
(b) appreciates the USD because Iranian exports increase.
(c) does not affect the IRR/USD exchange rate, as the blockade on Iranian exports is also a blockade on Iranian imports.
(d) None of the above

8. An expansionary fiscal policy
(a) is a kind of policy typically conducted by a central bank.
(b) affects the IS relation.
(c) is an open market operation in which financial assets are sold.
(d) None of the above

9. Which sentence is not false in the 45-degree model?
(a) Consumption depends on the propensity to consume
(b) Consumption does not depend on the tax rate
(c) Consumption does not depend on disposable income
(d) Fiscal policy does not affect aggregate demand

10. Purchasing power parity theory is about
(a) the unemployment rate.
(b) how monetary policy is used to control the inflation rate.
(c) how the interest rate affects the exchange rate.
(d) None of the above

11. Which relation does not express an inverse relationship?
(a) The IS
(b) The aggregate demand function in the AS-AD model
(c) The LM
(d) The demand for euros as a function of \$/€

12. The money multiplier does not change if
(a) both M0 and M1 duplicate.
(b) the liquidity ratio goes up and the reserve ratio goes down.
(c) the reserve ratio goes up and the liquidity ratio goes down.
(d) None of the above

13. In the long run, according to the mainstream view,
(a) no macroeconomic variable changes.
(b) there is deflation.
(c) the unemployment rate is zero.
(d) None of the above

14. Under a fixed exchange rate,
(a) monetary policy is not independent.
(b) fiscal policy is incapable of modifying GDP.
(c) if the domestic currency is undervalued with respect to the fixed rate, the central bank can bring the rate to its fixed value by purchasing the domestic currency.
(d) None of the above

15. What boosts both GDP and interest rate in the IS-LM model?
(a) Fiscal policy, contractionary; monetary policy, expansionary
(b) Fiscal policy, expansionary; monetary policy, expansionary
(c) A devaluation with fixed exchange rate and increasing LM
(d) Hyperinflation or stagflation or the end of the world

NAME_____

Write '**a**', '**b**', '**c**' or '**d**' in the table below

No answer: –0 · Correct answer: –(–1) · Incorrect answer: –1/4

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15