Macroeconomics · 2025-26 · Problem set 0

1. Money multiplier model

1. What is the money multiplier?
2. What is the money creation process that the money multiplier summarizes?
3. How does a change in the liquidity ratio affect the money multiplier?
4. How does a change in the reserve ratio affect the money multiplier?
5. Which are the components of the monetary base **M0**?
6. Which are the components of the monetary mass (or monetary stock) **M1**?

2. GDP determination models

1. What is the expenditure multiplier?
2. What is the expenditure multiplier effect of an increase in aggregate expenditure?
3. Which macroeconomic variables are linked by the expenditure multiplier effect?
4. How is the expenditure multiplier affected by a change in the tax rate?
5. How is the expenditure multiplier affected by a change in the propensity to consume?
6. How is the expenditure multiplier affected by a change in the propensity to save?
7. How is the expenditure multiplier affected by a change in the propensity to import?

8. What events affect aggregate supply negatively?
9. What is the crowding out effect of an increase in public expenditure?

3. Exchange rate models

1. What is the appreciation of a currency with respect to another currency?
2. What is the depreciation of a currency with respect to another currency?
3. What is the difference between appreciation and depreciation?
4. What is the difference between revaluation and devaluation?
5. What is the difference between appreciation and revaluation?
6. What is the difference between depreciation and devaluation?

7. How does a change in the interest rate affect the exchange rate?

8. How does a change in the inflation rate affect the exchange rate?
9. How does a change in GDP affect the exchange rate?
10. What is the purchasing power parity exchange rate?
11. How does a change in the domestic price index alter purchasing power parity exchange rate?
12. How does a change in the foreign price index alter purchasing power parity exchange rate?

4. GDP and foreign sector

1. What does 'perfect capital mobility' mean?
2. What is the open economy trilemma?
3. What is the difference between a fixed exchange rate regime and a floating (or flexible) exchange rate regime?

4. How does an appreciation affect aggregate demand?
5. How does an appreciation affect GDP?
6. How does an appreciation affect the inflation rate?
7. How does an appreciation affect the unemployment rate?
8. How does an appreciation affect the interest rate?
9. How does an appreciation affect the exchange rate?
10. How does an appreciation affect the trade balance?

11. What is more effective to increase GDP under a fixed exchange rate regime, an expansionary fiscal policy or an expasionary monetary policy?
12. What is more effective to increase GDP under a flexible exchange rate regime, an expansionary fiscal policy or an expasionary monetary policy?
13. What is more effective to increase GDP in a closed economy, an expansionary fiscal policy or an expasionary monetary policy?

5. Models

1. In what models can changes in the inflation rate be determined?
2. In what models can changes in GDP be determined?
3. In what models can changes in the interest rate be determined?
4. In what models can the effects of a change in fiscal policy be determined?
5. In what models can the effects of a change in monetary policy be determined?

6. Policies

1. What changes in what policy variables characterize an expansionary fiscal policy?
2. What changes in what policy variables characterize a contractionary fiscal policy?
3. What changes in what policy variables characterize an expansionary monetary policy?
4. What changes in what policy variables characterize a contractionary monetary policy?
5. What change in aggregate demand causes an expansionary fiscal policy?
6. What change in GDP causes an expansionary fiscal policy?
7. What change in the inflation rate causes an expansionary fiscal policy?
8. What change in the unemployment rate causes an expansionary fiscal policy?
9. What change in the interest rate causes an expansionary fiscal policy?
10. What change in the exchange rate causes an expansionary fiscal policy?

11. What change in aggregate demand causes a contractionary monetary policy?
12. What change in GDP causes a contractionary monetary policy?
13. What change in the inflation rate causes a contractionary monetary policy?
14. What change in the unemployment rate causes a contractionary monetary policy?
15. What change in the interest rate causes a contractionary monetary policy?
16. What change in the exchange rate causes a contractionary monetary policy?