

University of Rome “Tor Vergata”

MASTER MESCI 2019-2020

MACROECONOMICS

Prof. Alessandro Piergallini

EXAM – January 20, 2020

QUESTIONS

1. Assume that the economy is described by the income-expenditure model in the presence of the State. Suppose that the government increases the level of public transfers. What is the effect on the equilibrium level of output? And on the equilibrium level of private consumption? And on the equilibrium level of public deficit?
2. Consider a closed-economy IS-LM model. What is the effect on the equilibrium level of output generated by a *decrease* in money supply? And what is the effect on the equilibrium level of firms' investment? Do the results change in the context of an open-economy IS-LM model with flexible exchange rates and perfect capital mobility? Is there a difference in the monetary policy transmission mechanism?
3. Construct a graphical analysis of the AD-AS model in the presence of perfect competition and in a condition of *involuntary* unemployment. What happens in terms of wages, prices and output *without* the intervention of the policy maker? And *with* the stabilizing intervention of the policy maker through demand-side policies?