

EI06 - An Introduction to Macro-Economics

Département des Humanités

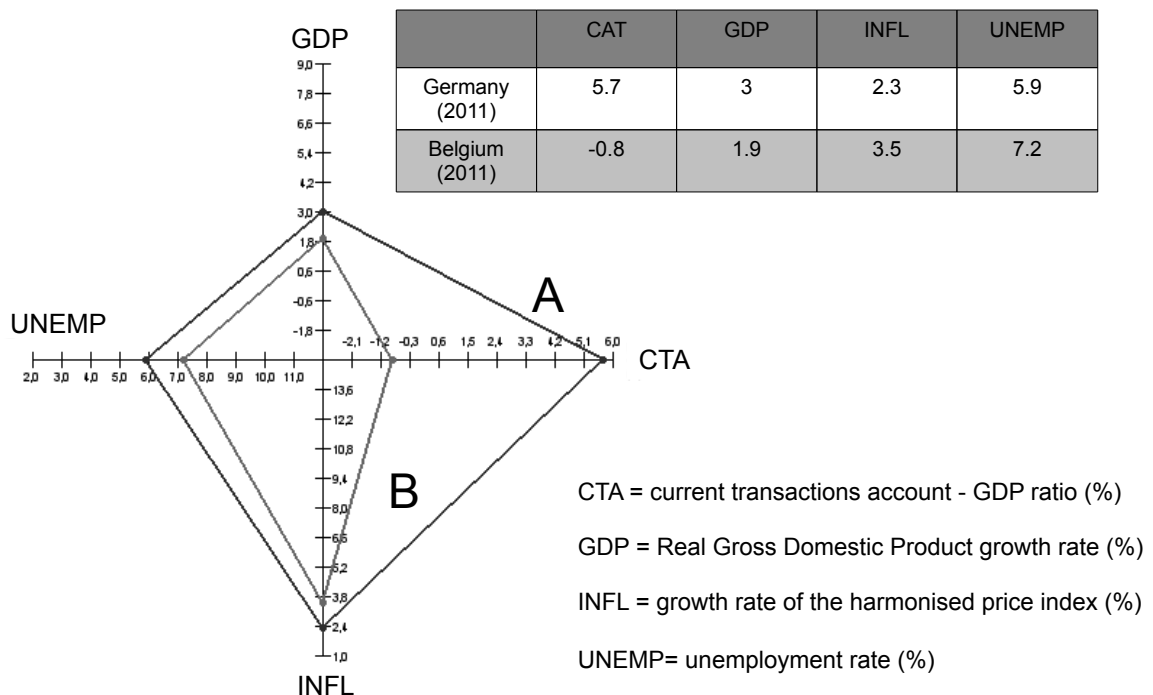
Autumn 2012

Final Exam

**No documents, computers, nor cellular phones are allowed.
Duration 2 hours**

Question 1 : Macro-economic Policies (5 points):

Use the documents below to answer the following questions. Each answer should be justified by calculation and/or elements from the course.



1. Name this type of graph. What is it used for ? (1 point)
2. What is measured by the current transaction account – GDP ratio here ? (1 point)
3. According to the data in the table above which country corresponds respectively to the graph A and graph B ? (1 point)

- If the respective governments of Belgium and Germany were to focus their economic policy using this graph, which would be the economic objectives to focus on to reach a more balanced economic situation ? (1 point)
- According to the Monetarist theories, who would be the sole responsible for further increase in inflation in Belgium and Germany ? (1 point)

Question 2 Economic Growth and Business Cycles (6 points) :

Use the data available below to answer the following questions. Each answer should be justified by calculation and/or elements from the course.

Real GDP growth rate (%)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Denmark	3,5	0,7	0,5	0,4	2,3	2,4	3,4	1,6	-0,8	-5,7	1,6	1,1	0,6
Italy	3,7	1,9	0,5	0	1,7	0,9	2,2	1,7	-1,2	-5,5	1,8	0,4	-2,3

Source: EUROSTAT

- What is a business cycle ? (1 point)
- What is an economic contraction ? (0.5 points)
- What is an economic recession ? (0.5 points)
- Identify using the data above the phases of economic expansion, contraction and recession occurring in Italy the last years (1 point)
- Identify using the data above the phases of economic expansion, contraction and recession occurring in Denmark the last years (1 point)
- What is 'Intensive Growth' ? To what does it oppose to ? (1 point)
- What are the 'warranted' and 'natural' growth rates for Harrod and Domar ? (1 point)

Question 3 : Innovation and Technical Progress (4 points) :

Please answer clearly and briefly to the following questions:

- Name and define the 4 types of innovation considered by the Oslo Manual (2 point)
- Explain why most of innovations follow an epidemic diffusion pattern (S-curve) (1 point)
- What is the effect of innovation on employment ? (1 point)

Question 4 : Unemployment (2 points) :

Using you knowledge of the course explain the effect of an increase in nominal wages on the labour market and unemployment considering respectively the Keynesian and the Neo-classical representation of the labour market.

Question 5 : Macro-economic equilibrium and the IS-LM model (3 points) :

- What does the IS curve correspond to ? (1 point)
- What does the LM curve correspond to ? (1 point)
- What does the intersection of both curves represent ? (1 point)