EKONOMIKA

Macroeconomics

EXAM 17 JANUARY
OPEN QUESTIONS

1) Small open economy. Two periods. Country can choose whether to borrow or lend at interest rate of one-unit bond B at t=1. C1, C2, Q1, Q2, Y = Q1 + (Q2/(1+R)), U(c1, c2) ln(C1) + B*ln(C2).
    a) Calculate C1, C2, and the parameters of the model
    b) B0 was -10, now it's 0. How do C1 and C2 change? Give economic intuition
    c) Find the equations for TB1 and CA1. How does CA1 change when BO changed?
    d) Assume Q1=Q2=Q and B*(1+r)=1. How do C1, C2 and CA1 change?
    e) Find the equations of TB1 and CA1 with the assumption of d) and give economic intuition.

2) It's 2012 and we're in the middle of the eurozone crisis. There's a policy that is gonna buy all the sovereign bonds, bundle them, and put them as a diversified portfolio.
    a) Does this policy solve any issues of the Eurozone crisis? Explain
    b) Are there any issues with this policy? Explain

STATEMENTS: true/false

3) The probability of sovereign default
    a)
    b)
    c) Is decreasing with productivity
    d) Is affected by the bond prices

4) Multiple equilibria can
    a) Happen in the presence of rational agents
    b) arise when a countries fundamentals are bad
    c) Arises from bond prices as they depend on future debt levels, and future debt levels depend on bond prices
    d) Arises from bond prices as they depend from fiscal deficit, and fiscal deficit depend from bond prices

5) According to the allan & gamber (2000) model, the assets. Safe asset has return=1 at t=2, price=1 at t=1. There are two risky assets: A with high return of 4 and probability 0.5 and low return 0 with prob 0.5; B has high return of 4 with prob ¼ and low return 0 with prob ¾.
    a) Investor use its own wealth, the price of asset A is 2.
    b) Investor use its own wealth, the price asset of B is 2.
    c) Investor borrows money and the interest rate is 1, the asset price of B is 2.

d) Investor borrows money and the interest rate is 1, the asset price of A is the same as B.

6) Pandemic question about income policy.
    a) The policy should be based on the income recipient.
    b)
    c)
    d) Affects effectiveness of health policies.

7) I don't remember
    a) The lockdown is supply-driven because of the limited production
    b) The lockdown is supply driven, so the demand stimulation is ineffective
    c) The lockdown was many in the services, and it should jump back in.
    d)