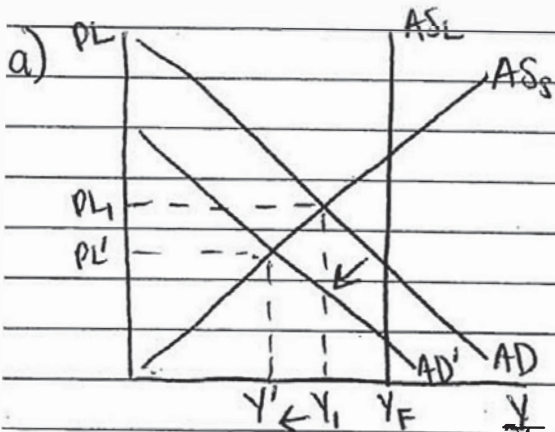


# Question 1 Macroeconomics 2018

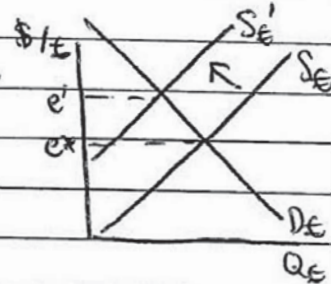
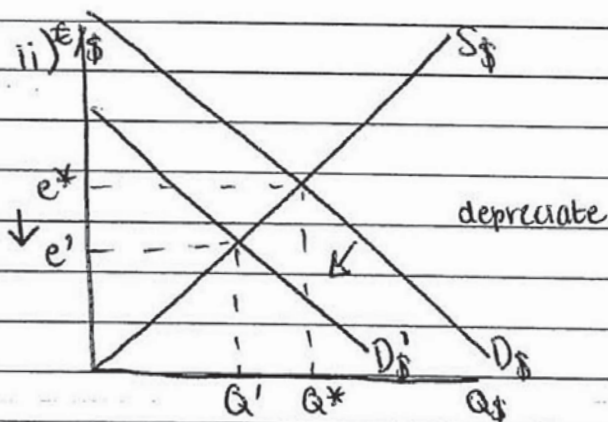
1A,

ANSWER PAGE FOR QUESTION 1



- b) i) Euro zone recession  $\therefore$  European  $D \downarrow \therefore$  Europe demands less goods  $\therefore$  Europe  $M \downarrow \therefore$  US exports  $\downarrow$   
 ii)  $Y \downarrow$  unemployment  $\uparrow$

- c) i)  $D_{\$} \downarrow \therefore S_{\text{€}} \downarrow \therefore Q_{\text{€}} \downarrow e \uparrow \therefore$  appreciate



- d) i)  $AD \uparrow$   
 ii)  $PL \uparrow$

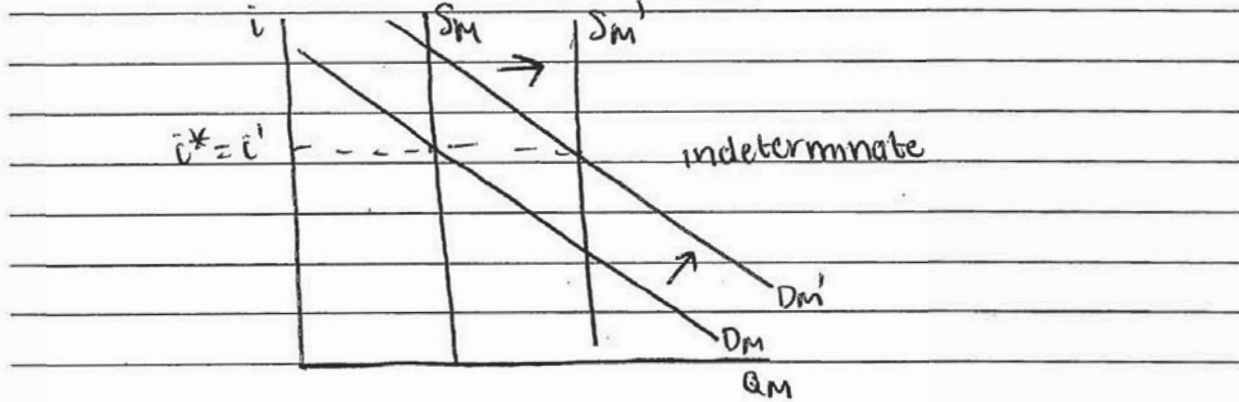
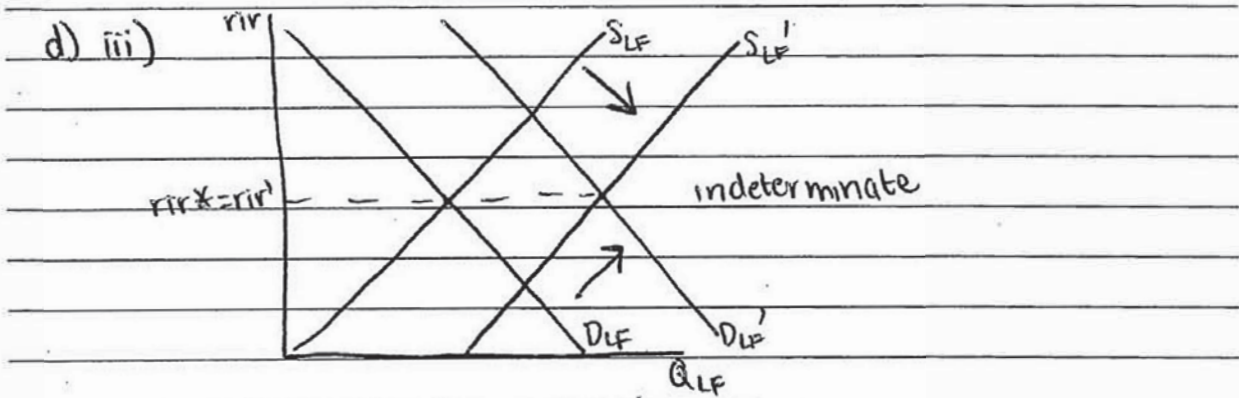
iii) Interest rates indeterminate since expansionary monetary policy  $\therefore MS \uparrow \therefore NIR \downarrow$  but expansionary fiscal policy  $\therefore D_M \uparrow \therefore NIR \uparrow$  therefore NIR indeterminate  
 Expansionary monetary policy  $\therefore S_{LE} \uparrow \therefore RIR \downarrow$   
 Expansionary fiscal policy  $\therefore D_{LE} \uparrow \therefore RIR \uparrow$   
 Therefore RIR indeterminate

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Question 1 Macroeconomics 2018 (continued)

1A<sub>2</sub>

ADDITIONAL PAGE FOR ANSWERING QUESTION 1



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