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ECON 300
Advanced Macroeconomics **4 January 2016**
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Final Exam

ANSWER ANY FOUR (4) OF THE FOLLOWING FIVE (5) QUESTIONS

1. (**25 Points**) Suppose that the Turkish economy is at equilibrium initially. However, Turkish policy makers are unhappy with the low level of private investments in Turkey. In response, they initiate a new investment incentive program, which stimulates firms to invest more. How does this affect current macroeconomic variables in a ***Monetary Intertemporal Model***? Show. Do not forget to **illustrate** and **discuss** equilibrium effects and **verify** how this fits the stylized facts of the business cycle.

2. (**25 Points**) Suppose that the Turkish economy is at equilibrium initially. However, Turkish policy makers are unhappy with the low level of female labor force of participation (FLFP). In response, they initiate a new incentive program, which stimulates females never consider themselves in the labor market start to looking for a job. How does this affect current macroeconomic variables in a ***Monetary Intertemporal Model***? Show. Do not forget to **illustrate** and **discuss** equilibrium effects and **verify** how this fits the stylized facts of the business cycle.

3. (**25 Points**) How does an ***increase in money supply*** affect macroeconomic variables in the current macroeconomic variables in a ***Monetary Intertemporal Model***? Show. Do not forget to **illustrate** and **discuss** equilibrium effects and **verify** how this fits the stylized facts of the business cycle.

4. (**25 Points**) How does an ***unexpected increase in money supply*** affect macroeconomic variables in the ***Friedman–Lucas*** ***money-surprise model*** in the ***short run*** and in the ***long run***? Show. Do not forget to **illustrate** and **discuss** equilibrium effects and **verify** how this fits the stylized facts of the business cycle.

5. (**25 Points**) How does a policy mix of an increase in *current* government purchases, anticipated to be temporary, together with a decrease in money supply affect current macroeconomic variables in a ***Monetary Intertemporal Model***? (*Presume that the impact of the change in Y on money demand dominates the impact of the change in real interest rate on money demand*). Do you think that the policy mix makes sense? Why? Why not? Do not forget to **illustrate** and **discuss** equilibrium effects and **verify** how this fits the stylized facts of the business cycle.