

Solution key

to exercises from chapter 1 of Macroeconomics

1.1

EU-Country	A (analogous for other countries)
Relative price level	$P_A/P_{US} = (42,700/38,140)/1 = 1.12$

1.2 (a) injection (b) leakage (c) leakage (d) leakage

1.3

Country	S	I	T	G	Budget deficit	IM	EX	CA
NL	174	130	183	179	-4	421	469	48
D	725	527	520	563	43	1149	1304	155
S	278	380	260	235	-25	404	327	-77

1.4 (a) vertical aggregate supply curve (b) $P = \text{€}16$ (c) $P = \text{€}20$ (d) $M = \text{€}1000$ (e) $P = \text{€}10$

1.5 aggregate supply curve has positive, but finite slope (is not vertical)

1.6 (a) $\Delta M = \text{€}1000$ (b) $\Delta P = 0.4$ (c) $\Delta M = -\text{€}2000$
(d) Changes in G and M may influence i and/or E and thus affect real output.

1.7 $\Delta F = 10 \rightarrow F = 510$

1.8 (a) price, quantity (b) approx. 24 million units (c) 50 million units
(d) $P = 500 + 0.000025 \text{ Quantity}$ (e) equilibrium $P = 1,250 \text{ SFR}$, $Q = 30 \text{ million units}$
(f) demand curve shifts left (g) supply curve shifts right
(h) tax on DVDs \rightarrow demand curve shifts left,
tax on visits to the cinema \rightarrow demand curve shifts right