## Consolidated Questions from Prof. Florian

## A: Goods and Financial Markets (Ch. 2 & 3)

- 1. Explain the mechanics of the Goods Market, paying special attention to its components and the multiplier effect.
- 2. What happens in the Goods Market if the government decides to increase/decrease government consumption?
- 3. How does the Central Bank intervenes in the Money Market? What role do bonds, liquidity preferences, reserves, and the interbank market play?
- 4. What are the dynamics if the Central Bank conducts contractionary monetary policy?
- 5. Is there a limit to expansionary monetary policy?

## B: IS-LM Model and the Extended Model (Ch. 4 & 5)

- 1. What is the mechanics of the Goods Market once we assume that Investment depends on the Interest Rate? How does this lead to the derivation of the IS curve?
- 2. How do IS and LM interact to determine the equilibrium in the IS-LM model? What are possible economic shocks?
- 3. Right before the election, the government increase its expenses in order to paint a positive picture of the economy. Knowing that this will lead to an unsustainable boom, the Central Bank counteracts by increasing interest rates. Discuss.
- 4. Explain the Fisher Effect. You might want to talk about the distribution of wealth between borrower and lender during inflationary/deflationary periods. What are the economic consequences during persistent deflation? Country A experiences an increase in its overall perception of risk due to a financial crisis in country B. Discuss the economic consequences for country A.