

Macroeconomics A; EI060

Quiz

Cédric Tille

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1 Mundell-Fleming structure

Question: What do the three lines in the model represent?
How do they all cross at the same point?

2 Policy effectiveness

Question: Which policy work, or don't, in affecting output?

3 Exchange rate under flexible prices

Question: In previous classes, we saw that a permanent increase in the money supply does not lead to exchange rate overshooting when the price of goods is flexible. Why is that?

4 Intuition for overshooting

Question: Why is there overshooting when output is not very sensitive to the real exchange rate, and money demand is not very sensitive to output?

5 Undershooting

Question: Can the exchange rate undershoot, i.e. depreciate by less in the short run than in the long run?