

Exam consists of two questions and all questions have to be answered. The questions are weighted equally when grading the exam.

Question 1.

Suppose interest rates increase in countries that are main trading partners of Norway. Discuss the effect on main macro-economic variables in Norway from this increase in interest rates under fixed and floating foreign exchange rates. Discuss how the Norwegian policymakers may use monetary and fiscal policies to counteract possible negative consequences from the rise in foreign interest rates.

Question 2.

The current war in Ukraine implies massive destruction of buildings, plants, machines and equipment in the country. Discuss the consequences of this destruction on future economic growth and prosperity in Ukraine after the war has ended.