MULTIPLE-CHOICE QUESTIONS (4 points)
Correct answer: 0.2 | Incorrect answer: −(0.2)/3 | No answer: 0

1. In which case does the dollar appreciate against the euro?
(a) In passing from 2 $/€ to 4 $/€
(b) In passing from 2 $/€ to 2 €/$
(c) In passing from 2 $/€ to ½ €/$
(d) None of the above

2. Letting the real exchange rate represent a measure of the competitiveness of an economy, the eurozone becomes less competitive if
(a) the eurozone general price level falls.
(b) the US general price level raises.
(c) the dollar appreciates against the euro.
(d) None of the above

3. The euro has depreciated against the dollar. A possible explanation is
(a) that the US interest rate went down.
(b) that the eurozone inflation rate went up.
(c) that the US real GDP has grown.
(d) None of the above

4. The US CPI is P* = 800. The eurozone CPI is P = 400. Then the purchasing power parity exchange rate is
(a) 2 €/$. (b) 1 €/$.
(c) ½ €/$. (d) 1 $/€.

5. Suppose banks choose to substantially reduce the amount of voluntary reserves. Then:
(a) both the volume of loans and the interest rate raise.
(b) the volume of loans raises and the interest rate falls.
(c) the central bank is conducting a tight monetary policy.
(d) the amount of legal reserves will necessarily fall.

6. The quantity equation asserts that
(a) $M1 = E + D$.
(b) $M0 = E + R$.
(c) $M \cdot V = P \cdot Y$.
(d) $M \cdot P = V \cdot Y$.

7. In a given year, real GDP is 500, whereas nominal GDP is 450. In that year, the GDP deflator (base 100) would be
(a) $(450/500) \cdot 100 = 90$.
(b) $(500/450) \cdot 100 \approx 111$.
(c) $500 - 450 = 50$.
(d) $[(500-450)/450] \cdot 100 \approx 11$.

8. The unemployment rate is
(a) the proportion of the total population of working age not having a job that is actively looking for one.
(b) the proportion of the total population of working age having a job or looking for one.
(c) the proportion of the total population of working age carrying out some economic activity, no matter whether paid or unpaid.
(d) the proportion of adult people in the total population of working age.

9. The ECB adopts a fixed exchange rate regime in which the value of the euro is held fixed against the dollar. When a shift to the right in the supply of euros function moves the exchange rate away from its fixed rate, the ECB
(a) should necessarily increase its demand for dollars.
(b) will sell dollars thereby increasing its dollar reserves.
(c) will sell dollars thereby diminishing its dollar reserves.
(d) will never carry out any action in the currency market.

10. If the government saving equals net exports, then
(a) investment remains constant.
(b) investment equals private saving.
(c) the sum of private saving and the government saving minus investment changes.
(d) private saving equals government saving.

11. Identify the real variable.
(a) CPI
(b) Reserve ratio
(c) Money stock
(d) None of the above

12. An expansionary fiscal policy on the inflationary region of the aggregate supply function
(a) stimulates production and rises the unemployment rate.
(b) causes a decline in production.
(c) has a negligible effect on the inflation rate.
(d) None of the above

13. The Phillips curve shows
(a) a direct relationship between the inflation rate and the growth rate of the economy.
(b) an indirect relationship between the inflation rate and the unemployment rate.
(c) an indirect relationship between the inflation rate and the interest rate
(d) a direct relationship between the inflation rate and the unemployment rate.

14. When the CPI goes from 200 to 220, the inflation rate is
(a) 5%. (b) 10%. (c) 20%. (d) 40%.

15. A fall in the proportion of income that is consumed causes
(a) a contraction of the aggregate demand function.
(b) an increase in real GDP.
(c) a shift of the aggregate supply function to the right.
(d) None of the above

16. Under a floating exchange rate regime
(a) an increase in the value of the home currency against foreign currencies is called "appreciation".
(b) the government buys the home currency to sustain the exchange rate.
(c) an increase in the value of the home currency against foreign currencies is called "devaluation".
(d) an increase in the value of the home currency against foreign currencies is called "revaluation".

17. "Automatic stabilizers are provisions in the budget that cause government spending to rise or taxes to fall automatically –without legislative action– when GDP falls." (Abel, Bernanke, Croushore). As a result, automatic stabilizers
(a) affect the economy without any multiplier effect being necessary.
(b) do not stabilize the economy.
(c) reduce the money multiplier.
(d) None of the above

18. What is likely to shift the aggregate demand function to the right?
(a) An increase in net exports
(b) A decrease in the firms' production costs
(c) An increase in the unemployment rate
(d) A decrease in aggregate income

19. What is likely to shift the aggregate supply function to the left?
(a) An increase in the government spending
(b) An increase in the firms' production costs
(c) A productivity rise
(d) A tax cut

20. According to the Fisher equation,
(a) the real interest rate is the difference between the nominal interest rate and GDP growth.
(b) the real interest rate is the difference between the nominal interest rate and the inflation rate.
(c) the inflation rate equals the nominal interest rate plus the real interest rate.
(d) the inflation rate is always positive.

1	2	3	4	5	6	7	8	9	10

11	12	13	14	15	16	17	18	19	20