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

1. The euro has appreciated against the dollar. A possible explanation is that
(a) the US interest rate has been lowered.
(b) the eurozone interest rate has been lowered.
(c) the US real GDP has fallen.
(d) None of the above

2. The price of a certain commodity in 1970 was 0.20€. The CPI in that year was 40. The CPI is currently 180. Which is currently the price of the commodity?
(a) 0.90 €
(b) 0.04 €
(c) 4.5 €
(d) None of the above

3. The labour force consists of
(a) the employed people.
(b) the total population of working age.
(c) the participation rate.
(d) the employed people plus the unemployed people.

4. Which one is a monetary policy instrument of central banks?
(a) The money multiplier
(b) The reserve ratio
(c) The GDP deflator
(d) The inflation rate

5. What policy neutralizes the effect on the inflation rate and the real GDP of a positive shock to the aggregate supply function?
(a) An expansionary fiscal policy
(b) A contractionary fiscal policy
(c) A contractionary monetary policy
(d) None of the above

6. Which sentence is true?
(a) An increase in the government revenues due to a tax raise stimulates the economic activity
(b) A cut in public spending or a tax raise or both tend to depress aggregate demand
(c) An increase in public spending causes a fall in the overall economic activity
(d) Only (a) and (c) are true

7. If the GDP deflator goes up and nominal GDP goes down, then
(a) real GDP goes down.
(b) real GDP goes up.
(c) real GDP remains constant.
(d) nominal GDP goes up.

8. What tends to shift the aggregate demand function to the right?
(a) An increase in imports
(b) A reduction in the firms' production costs
(c) A fall in the proportion of income that is saved
(d) A decline in aggregate income

9. A raise in the reserve ratio
(a) increases the expenditure multiplier.
(b) increases the money multiplier.
(c) lowers the expenditure multiplier.
(d) lowers the money multiplier.

10. The expenditure multiplier effect means that
(a) an exogenous rise in the inflation rate causes an increase in the interest rate *i*, which in turn causes an increase in the inflation rate, which causes an increase in *i*…
(b) an exogenous increase in aggregate demand AD causes an income rise, which rises AD, which rises income…
(c) an increase in the monetary base M0 causes an increase in the money stock M1, which causes an increase in M0, which causes an increase in M1…
(d) aggregate demand is a multiple of the government expenditure.

11. Which of the following concepts is a better measure of the amount of money in an economy?
(a) The amounts of coins and bank notes
(b) The foreign currency
(c) The money stock
(d) All of the above

12. An expansionary monetary policy aims at
(a) lowering the interest rate.
(b) a currency appreciation.
(c) Reducing the inflation rate.
(d) None of the above

13. A period during which real GDP grows and unemployment falls is called
(a) a Phillips curve.
(b) the business cycle.
(c) an expansion.
(d) a recession.

14. Which argument does not justify a negatively sloped aggregate demand function?
(a) A decline in the inflation rate increases purchasing power and stimulates consumption
(b) A surge in the inflation rate erodes competitiveness and causes a reduction in net exports
(c) When the inflation rate rises, the central bank increases the interest rate, which tends to reduce expenditure
(d) None of the above

15. An increase in real GDP and a decrease in the inflation rate have been observed. A possible explanation is that
(a) an expansionary fiscal policy has been implemented.
(b) a contractionary monetary policy has been implemented.
(c) supply policies have been adopted.
(d) None of the above

16. Firms cannot obtain from the banks the desired volume of loans. As a result, they sell part of the T-bills they own. What decision by the central could offset the effect on the interest rate of the sale of T-bills?
(a) An increase in the reserve ratio
(b) An increase in the discount rate
(c) An expansionary open market operation
(d) None of the above

17. When the central bank sells financial assets
(a) the interest rate tends to rise.
(b) the interest rate tends to fall.
(c) liquidity tends to grow.
(d) the money multiplier increases because the sale of financial assets causes a rise in the reserve and liquidity ratios.

18. Suppose the European Central Bank (ECB) is entrusted to keep the euro-dollar exchange rate at a given fixed value. Let the market exchange rate be equal to that fixed value. If the eurozone increases its imports from the US, then the ECB will
(a) buy dollars to prevent the appreciation of the euro.
(b) buy dollars to prevent the depreciation of the euro.
(c) sell dollars to prevent the depreciation of the euro.
(d) sell dollars to prevent the appreciation of the euro.

19. An expansionary fiscal policy aims at rising
(a) the money stock.
(b) the unemployment rate.
(c) foreign real GDP.
(d) None of the above

20. Okun's law establishes a negative relationship between
(a) real GDP growth and the interest rate.
(b) the unemployment rate and the inflation rate.
(c) real GDP growth and the unemployment rate.
(d) the inflation rate and the unemployment rate.

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11	12	13	14	15	16	17	18	19	20