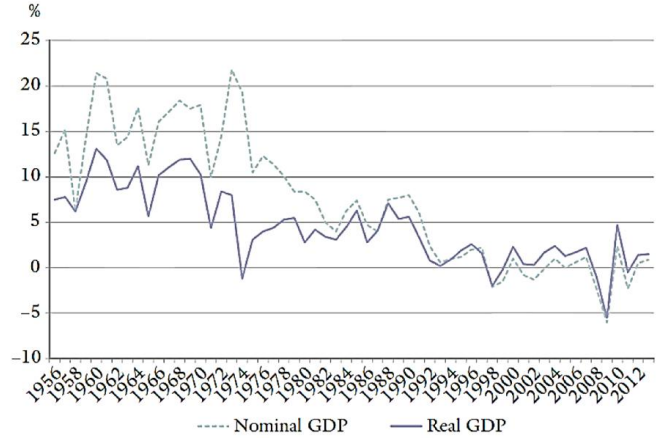


1. A discount factor equal to one means that
 - (a) the interest rate is zero.
 - (b) the discount factor has been calculated in the base period.
 - (c) the GDP deflator inflation rate is zero.
 - (d) None of the above
2. An inverse relationship has not been established between
 - (a) the price of T-bills and the interest rate.
 - (b) the discount factor and the interest rate.
 - (c) the GDP deflator inflation rate and the CPI inflation rate.
 - (d) **M1** and the interest rate.
3. A contractionary open market operation
 - (a) occurs when banks refuse to use the lending facility.
 - (b) is the same thing as a decrease in the reserve requirements.
 - (c) is defined as either a rise in the main interest rate set by the central bank or a purchase of financial assets by the central bank.
 - (d) None of the above
4. The liquidity ratio is 0.4. The reserve ratio is 0.3. Which change in the reserve ratio duplicates the money multiplier?

5. T-bills are issued in period t to mature in period $t + 1$. The price of T-bills in period t is 800. Their face value is 1000.
 - (i) Calculate the interest rate between t and $t + 1$.
 - (ii) By how much should the interest rate change for the price of T-bills in period t to be a 25% smaller?

6. In the chart below [M. Wakatabe (2015), *Japan's Great Stagnation and Abenomics*, p. 4], indicate a period of inflation (if there is any) and a period of deflation (if there is any).



Justify your answers below

1	13%
2	13%
3	13%
4	18%
5	28%
6	15%

DNI Number _____ 1st Surname _____ Name _____

31 March 2015