Introduction to Macroeconomics · M7 · 10 Mar 2011

- 1. Which of the following countries is not a member of the eurozone (officially known as "euro area")?
- (a) Estonia
- (b) Malta
- (c) Slovenia
- (d) None of the above
- 2. If nominal GDP is 600 and the CPI is 20, then the real GDP
- (a) is 600 / 20 = 30.
- (b) is $600 \cdot 20 = 12000$.
- (c) is necessarily 600 if the period considered is different from the base period.
- (d) cannot be determined.
- 3. Suppose financial assets *A* and *B* differ only in two properties. Which one of the following sentences is more likely to be true?
- (a) If A is riskier than B, then B's rate of return should be higher than A's.
- (b) If A is less liquid than B, then A should be riskier than B.
- (c) If A's rate of return is higher than B's, then A should be more liquid than B.
- (d) None of the above
- 4. Which of the following sentences is not true?
- (a) The nominal interest rate tends to be inversely correlated with the price of financial assets.
- (b) When the central bank executes an open market operation, the nominal interest rate tends to be inversely correlated with M1.
- (c) The discount rate is inversely correlated with the nominal interest rate.
- (d) None of the above
- 5. The nominal interest rate on a one-year loan is 5%. Assuming arbitrage, find the likely initial price of a T-bill with the same time to maturity as the loan and with face value equal to 100.
- (a) There is not enough information to determine the answer.
- (b) The price is the present discounted value of 5%.
- (c) The price is 100(1 + 0.05) = 105.
- (d) None of the above
- 6. Which variables are linked by the money multiplier?
- (a) The monetary base and the nominal interest rate.
- (b) The money stock and the bank reserves.
- (c) The liquidity ratio and the volume of sight deposits.
- (d) None of the above

- 7. The money multiplier has decreased. A possible explanation is that
- (a) the liquidity ratio *l* has decreased.
- (b) the reserve ratio r has decreased.
- (c) both the liquidity ratio and the reserve ratio have remained constant.
- (d) the liquidity ratio l has increased and the reserve ratio r has decreased.
- 8. If the number of banks increases and the number of firms decreases, it is likely that the nominal interest rate
- (a) none of the following.
- (b) will necessarily remain constant.
- (c) will rise.
- (d) will fall.
- 9. Identify a monetary policy instrument of a central bank.
- (a) The money multiplier.
- (b) The GDP deflator inflation rate.
- (c) The rate of growth of the real GDP.
- (d) None of the above
- 10. Define the government saving as T TR G and the foreign saving as IM EX. If investment I equals private saving S, then
- (a) the government saving necessarily equals the foreign saving.
- (b) the government saving is necessarily greater than the foreign saving.
- (c) the government saving is necessarily smaller than the foreign saving.
- (d) the government saving may be equal to the foreign saving.
- 11. If the government runs neither a budget surplus nor a budget deficit, then
- (a) there must be a trade surplus.
- (b) there must be a trade deficit.
- (c) if investment I differs from private saving S, then the trade balance is necessarily neither in surplus nor in deficit.
- (d) None of the above
- 12. Identify a real variable.
- (a) The CPI inflation rate
- (b) The monetary base(c) The reserve ratio
- (d) None of the above

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Write your answer in minuscule letters \cdot Correct answer: $-(-1) \cdot$ No answer: $-0 \cdot$ Wrong answer: -1/3

1	2	3	4	5	6	7	8	9	10	11	12