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?

- In passing from 2 \$/€ to 4 \$/€
- b) In passing from 2 \$/€ to 2 €/\$
- In passing from 2 \$/€ to 1/2 €/\$ C)
- 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

- the general price level of the eurozone falls.
- the general price level of the US increases.
- the dollar appreciates against the euro. c)
- None of the above

3.- According to the quantity equation,

- M1 = E + D.
- M0 = E + R. b)
- c) $M \cdot V = P \cdot Y$.
- $M \cdot P = V \cdot Y$

4.- The inflation rate from year 1 to year 2 is 50%. Therefore, if the CPI in year 2 is 120, the CPI in year 1

- a) cannot be computed.
- is 80. b)
- is 180 c)
- None of the above d)

5.- The labour force equals

- the participation rate.
- b) the unemployment rate.
- employment plus unemployment.
- None of the above

6.- If the CPI initially is 200 and later on becomes 220, the inflation rate is

- 10% b)
- c) 20%
- d) 40%.

7.- If the government saving equals net exports, then

- investment remains constant.
- investment equals private saving.
- the sum of private saving and the government saving minus c) investment changes.
- private saving equals government saving.

8.- Identify the nominal variable.

- Unemployment rate
- Real interest rate minus inflation rate b)
- Money stock c)
- None of the above d)

9.- A worsening in the businessmen's expectations

- tends to lower GDP.
- b) tends to increase investment.
- tends to lower the unemployment rate. c)
- tends to shift the AD function to the right.

10.- Identify a monetary policy instrument.

- The Euribor a)
- The reserve ratio
- The GDP deflator c)
- The inflation rate

11.- Which policy neutralizes the effect on the inflation rate and the real GDP of a positive shock to the AS function?

- An expansionary fiscal policy
- A contractionary fiscal policy
- A contractionary monetary policy c)
- None of the above

1	2	3	4	5	6	7	8	9	10

12.- A fall in the proportion of income that is consumed will cause

- a shift of the AS function to the right. a)
- an expansion of real GDP. b)
- a shift of the AD function to the left. c)
- d) None of the above

13.- Which sentence is true?

- An increase in tax revenues always stimulates the overall economic activity.
- Aggregate demand tends to be reduced when the government cuts spending or raises taxes.
- A rise in the government spending tends to slow down the overall economic activity.
- Only a) and c) are true.

14.- If the CPI rises and nominal GDP falls, then

- real GDP falls. a)
- real GDP rises. b)
- real GDP remains constant.
- real GDP may rise or fall.

15.- What is likely to shift the AD function to the right?

- An increase in net exports
- A decrease in the firms' production costs
- An increase in the unemployment rate c)
- A decrease in aggregate income

16.- What is likely to shift the AS function to the right?

- An earthquake that damages factories a)
- b) An increase in the firms' production costs
- New taxes paid by firms c)
- An increase in the number of foreign workers d)

17.- Under a floating exchange rate regime

- the home currency appreciates if the exchange rate foreign currency / home currency rises.
- the government sets the market exchange rate.
- a revaluation of the home currency occurs when the exchange rate foreign currency / home currency rises.
- a devaluation of the home currency occurs when the exchange rate foreign currency / home currency rises.

18.- The money stock tends to be reduced when

- the liquidity ratio falls.
- the central bank purchases foreign currencies in the b) currency market.
- the central bank sells government bonds.
- None of the above

19.- Letting G represent the government spending, TR transfers, and T taxes, an expansionary fiscal policy takes place when

- a)
- G rises, TR rises, and T rises. G rises, TR rises, and/or T falls. b)
- G rises, TR falls, and T falls.
- G falls, TR falls, and/or T rises.

20.- Which concept represents a better measure of the amount of cash in an economy?

- The monetary base a)
- Foreign currencies b)
- The money stock c)

d)	 liquidity	

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