## **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 d)

#### 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)
- ď) None of the above

#### 3.- The euro has depreciated against the dollar. A possible explanation is

- that the US interest rate has fallen.
- that the eurozone inflation rate has increased.
- c) that the US real GDP has grown.
- None of the above

## 4.- It is to be expected a fall in the money stock when

- the reserve ratio is increased.
- the central bank buys foreign currency.
- the central bank purchases government bonds in an open c) market operation.
- the liquidity ratio drops.

#### 5.- A rise in the reserve ratio causes

- a rise in the expenditure multiplier.
- b) a fall in the ratio bank reserves / deposits.
- a rise in the money multiplier.
- a fall in the money multiplier.

#### 6.- Which concept represents a better measure of the amount of money in an economy?

- Domestic currency
- Foreign currencies b)
- The money stock c)
- The monetary policy

## 7.- In a given year, real GDP is 500, whereas nominal GDP is 450. In that year, the GDP deflator (base 100) would be

- (450/500)\*100 = 90.a)
- (500/450)\*100 ≈ 111. b)
- c) 500-450 = 50.
- $[(500-450)/450]*100 \approx 11.$

#### 8.- The unemployment rate is

- the proportion of the total population of working age not having a job that is actively looking for one.
  the proportion of the total population of working age having a
- iob or looking for one.
- 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

## 9.- The average annual wage in 2009 is 25,000 € and 26,000 € in 2010. In 2009, the CPI is 410 and 430 in 2010. Then, from 2009 to 2010, the workers' purchasing power

- increased. a)
- b) decreased.
- remained constant. C)
- was subject to an undetermined change.

#### 10.- 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.

1	2	3	4	5	6	7	8	9	10	11

## 11.- Identify the real variable.

- ČРІ a)
- b) Reserve ratio
- Money stock c)
- None of the above d)

## 12.- An improvement in the businessmen's expectations

- stimulates production and rises the unemployment rate.
- typically stimulates investment.
- makes people save a larger fraction of their income. c)
- causes a shift to the left of the AD function. d)

## 13.- Identify a monetary policy instrument.

- The money multiplier
- b) The reserve ratio
- The GDP deflator
- The inflation rate

#### 14.- What 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
- b)
- c) A contractionary monetary policy
- d) None of the above

## 15.- A fall in the proportion of income that is saved will cause

- a contraction of the AD function.
- a reduction in real GDP.
- a shift of the AS function to the right. c)
- None of the above

#### 16.- Which sentence is true?

- An increase in tax revenues always accelerates overall economic activity.
- Aggregate demand tends to be reduced when the b) 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.

# 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) act without any multiplier effect being necessary.
- do not stabilize the economy. b)
- reduce the money multiplier. c)
- None of the above d)

#### 18.- What is likely to shift the aggregate demand function to the right?

- An increase in net export a)
- A decrease in the firms' production costs b)
- c) An increase in the unemployment rate
- A decrease in aggregate income d)

#### 19.- What is likely to shift the aggregate supply function to the left?

- An increase in the government spending a)
- An increase in the firms' production costs b)
- A productivity rise c)
- d) A tax cut

## 20.- According to the Fisher equation,

- the real interest rate is the difference between the nominal interest rate and GDP growth.
- the real interest rate is the difference between the nominal interest rate and the inflation rate.
- the inflation rate equals the nominal interest rate plus the real interest rate.
- the inflation rate is always positive.

12	13	14	15	16	17	18	19	20