1. Assuming a floating exchange rate between the euro and the dollar, the US government places a tax on the sale of dollars by American citizens in the currency market: for each dollar sold by American citizens, they should pay 0.5 dollars to the US government. What is the likely effect of this tax?
(a) A shift to the left of the supply of dollars function and, accordingly, an appreciation of the euro against the dollar.
(b) A shift to the right of the demand for dollars function and, accordingly, a devaluation of the euro with respect to the dollar.
(c) A shift to the left of the supply of dollars function and, accordingly, both a shift to the left of the demand for euros function and a depreciation of the euro against the dollar.
(d) A shift to the right of the supply of dollars function and, accordingly, both a shift to the left of the demand for euros function and a revaluation of the euro against the dollar.

2. Identify the option where the two concepts have opposite meanings.
(a) Real appreciation and nominal depreciation
(b) The purchase of dollars in the currency market and the sale of euros in the same market
(c) Devaluation and revaluation
(d) Triangle arbitrage and spatial arbitrage

3. In which case is the euro undervalued (with respect to its purchasing power parity value) against the dollar?
(a) $e = 1$ \$/€ $P = 200$ i $P^* = 400$
(b) $e = \frac{1}{2}$ €\$ and $P = P^* = 200$
(c) $e = 2$ €\$ and $e_{PPP} = \frac{1}{4}$ \$/€
(d) None of the above

4. The dollar has appreciated against the euro. It is not a possible explanation that
(a) the US GDP has grown and, at the same time, the US interest rate has fallen.
(b) the eurozone GDP has grown and, simultaneously, the eurzone inflation rate has fallen.
(c) while the eurozone inflation rate went up, the US inflation rate went down.
(d) None of the above

5. The denial of which sentence is not false?
(a) The dollar tends to depreciate against the euro if the European Central Bank purchases euros in the currency market.
(b) In a fixed exchange rate regime the real exchange rate is necessarily equal to 1.
(c) A rising real exchange rate (expressed as units of foreign goods divided by units of domestic goods) represents an erosion (worsening) of the domestic economy's competitiveness.
(d) If $e = 2$ €\$, the euro could be undervalued against the dollar with respect to its purchasing power parity value.

6. The impossible trinity
(a) refers to monetary policy, fixed exchange rates, and capital controls.
(b) states that it is not possible to have an upward sloping supply of euros function, a downward sloping demand for euros function, and an exchange rate equal to its purchasing power parity value.
(c) makes it impossible to have a fixed exchange rate, a speculative attack, and commercial arbitrage.
(d) asserts that a floating exchange rate implies both capital controls and the impossibility of conducting an independent monetary policy.

7. It is not possible to have triangular arbitrage when
(a) 2 \$/€, ½ \$/¥, and ¼ €/¥.
(b) 1 \$/€, ½ \$/¥, and 2 €/¥.
(c) 1 \$/€, 2 \$/¥, and 2 ¥/€
(d) None of the above

8. Letting P designate the eurozone price index, the competitiveness of the eurozone cannot improve
(a) when P remains constant, e (expressed in \$/€ units) doubles, and P^* raises.
(b) in passing from $e = \frac{1}{4}$ €\$, $P = 100$, and $P^* = 400$ to $e = 2$ \$/€ and $P = P^* = 400$.
(c) when P^* remains constant, e (expressed in \$/€ units) falls, and P doubles.
(d) when e remains constant, P^* increases, and P decreases but less than P^* increases.

✂

Write your answers in minuscule letters in only one of the following tables

No answer: +0 · Correct answer: +1 · Incorrect answer: −1/3

1

1	2	3	4	5	6	7	8

No answer: +0 · Only one answer: if correct, +1; if incorrect, −1/3.
Two answers: if one correct, +1/2; if none correct, −1/2.

2

1	2	3	4	5	6	7	8

DNI Number _____ 1st Surname _____ Name _____