

1. What event does not tend to rise the equilibrium interest rate in the liquidity market model with an upward sloping supply of liquidity function?
 - (a) A contractionary open market operation
 - (b) An increase in the amount of financial assets that households would like to sell.
 - (c) An increase in the amount of reserves that banks are legally required to hold at the central bank.
 - (d) None of the above
2. A fixed rate tender with full allotment is
 - (a) an example of the Fisher effect.
 - (b) sometimes an instance of the phenomenon called "securitization" and sometimes a government purchase.
 - (c) a way of conducting open market operations.
 - (d) an illustration of the fallacy of composition when there are arbitrage opportunities in the presence of a negative discount factor.
3. As an immediate effect, an expansionary open market operation tends to increase the
 - (a) nominal interest rate.
 - (b) monetary base.
 - (c) reserve ratio.
 - (d) amount of financial assets that banks purchase from the central bank.

4. The idea that money is exogenous means that the
 - (a) real interest rate may be negative.
 - (b) central bank has a strong control over the money stock.
 - (c) liquidity and reserve ratios are both constant.
 - (d) None of the above
5. Which sentence is not false?
 - (a) If the real interest rate equals the inflation rate, then the nominal interest rate is zero.
 - (b) If the government budget runs a surplus and there is a trade deficit, then investment **I** equals savings **S**.
 - (c) With a positive nominal interest rate, the present discounted value of $x > 0$ euros is smaller than x .
 - (d) If the money multiplier increases, then the bank reserves also increase.
6. What combination of events could not explain a fall in the equilibrium interest rate in the liquidity market model with an upward sloping supply of liquidity function?
 - (a) Several important banks go bankrupt and the central bank conducts an expansionary open market operation.
 - (b) The government budget deficit grows and the central bank reduces the reserve requirements.
 - (c) Firms increase the amount of financial assets they would like to buy whereas households reduce the amount of financial assets they would like to sell.
 - (d) None of the above



The maximum score (5 points) is obtained by answering five questions correctly

If six questions are answered, evaluation will be with respect to a maximum score of 5 points

Write your answers in minuscule (lower case letter) in only one of the following tables

No mark given to those not respecting these instructions

Use Table 1 if you give at most one answer to each question

Use Table 2 if you want to give two answers to some question

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

Table 1

1	2	3	4	5	6

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.

Table 2

1	2	3	4	5	6