

1. Find the value of x that prevents triangular arbitrage with exchange rates 2 €/\$, 4 £/\$, and x £/€.
2. The real interest rate has fallen two percent points. The nominal interest rate has fallen five percent points. Find by how much the inflation rate has approximately changed, if it is possible to calculate that change; if not, indicate what information is missing.
3. The liquidity ratio doubles the reserve ratio. The money stock **M1** is twice the monetary base **M0**. Find the reserve ratio if there is enough information to calculate it; if not, explain what information is missing.

4. Analyze graphically the effect on the equilibrium exchange rate in the currency market model of an increase in the taxes that European consumers must pay when they purchase American goods, explaining which functions are being affected and why. Does the dollar appreciate or depreciate against the euro?
5. Analyze graphically the effect on the equilibrium interest rate in the liquidity market model of an expansionary open market operation conducted when, at the same time, (i) the government issues T-bills to finance an increase in the government deficit and (ii) foreign investors sell the domestic financial assets they own. Explain briefly which functions are affected and why.



JUSTIFY your answers below

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| 1 | 14% |
| 2 | 13% |
| 3 | 21% |
| 4 | 24% |
| 5 | 28% |