

1. Which sentence is not true?

- (a) The central bank does not set the value of the liquidity ratio.
- (b) Banks have the power to lower the money multiplier whenever they want.
- (c) The reserve ratio is not a type of financial asset.
- (d) The money multiplier does not transform the reserve ratio into reserves.

2. Suppose that the World Health Organization announces that the coronavirus SARS-CoV-2, the cause of the ongoing global public health emergency (COVID-19), can remain active for days on the surface of coins and banknotes. The likely effect of that information on the money multiplier is

- (a) a fall in the liquidity ratio, as people would now prefer to hold less cash (per unit of deposit).
- (b) an increase in the liquidity ratio because the money multiplier will be zero.
- (c) an increase in the money multiplier since both the reserve ratio and the liquidity ratio will necessarily go up.
- (d) None of the above

3. If the liquidity ratio duplicates the reserve ratio, then

- (a) the money multiplier is larger than 2.
- (b) the money multiplier is smaller than 2.
- (c) the money multiplier could be exactly 2.
- (d) None of the above

4. Assume that the money multiplier equals 3. Then

- (a) each new unit of cash generates 3 units of liquidity ratio.
- (b) the monetary base is three times smaller than **M1**.
- (c) the liquidity ratio can be equal to one.
- (d) None of the above

5. What event is consistent with an increase in **M1** occurring at the same time as a reduction in **M0**?

- (a) A fall in the reserve ratio
- (b) A fall in the money multiplier
- (c) A fall in both the cash held by the people and the amount of bank deposits.
- (d) It is impossible to have, at the same time, an increase in **M1** and a reduction in **M0**.

6. The money multiplier process

- (a) transforms **M1** into **M0** by creating loans.
- (b) transforms financial assets into monetary base by reducing the volume of deposits in banks.
- (c) lowers the number of banks.
- (d) None of the above



Every question has a unique correct answer
 You can provide one or two answers in the table below
 Write your answers in minuscule

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.

If you give two answers,
use the top row. →

If you give one answer,
use the bottom row. →

1	2	3	4	5	6