

1. What is not true about the money multiplier?
 - (a) It goes up when the liquidity ratio goes down
 - (b) It goes down when the reserve ratio goes up
 - (c) It helps to ascertain the change in M1 of a change in M0
 - (d) None of the above

2. In the IS-LM model with upward sloping LM and a fixed exchange rate regime
 - (a) fiscal policy is less effective than monetary policy to increase GDP.
 - (b) an independent monetary policy is not possible.
 - (c) the domestic interest rate is determined by the foreign interest rate under financial integration.
 - (d) None of the above

3. If the central bank chooses the amount of money,
 - (a) a lower reserve ratio contributes to lower the inflation rate.
 - (b) an expansionary open market operation contributes to raise the inflation rate.
 - (c) lowering the tax rate reduces the inflation rate.
 - (d) None of the above

4. If $C = 10 + 4Y/5$, $TR = T = I = 0$, and $G = 10$, then
 - (a) net exports need to be 0 for Y to be 100.
 - (b) no value of net export makes Y equal to 100.
 - (c) there is a government surplus.
 - (d) the propensity to save is larger than 1/2.

5. If cash is zero, the money multiplier
 - (a) is also zero.
 - (b) is undefined.
 - (c) is the inverse of the reserve ratio.
 - (d) None of the above

6. If the central bank purchases financial assets,
 - (a) the monetary base M0 is reduced.
 - (b) if there is a money multiplier, M1 is increased.
 - (c) a contractionary open market operation takes place.
 - (d) None of the above

7. In the IS-LM model, the result of an expansionary fiscal policy combined with a contractionary monetary policy
 - (a) is an increase in GDP and a fall in the interest rate.
 - (b) may be a fall in GDP and an increase in the interest rate.
 - (c) is that GDP remains unaltered.
 - (d) None of the above

8. In the aggregate demand and aggregate supply model,
 - (a) a contractionary monetary policy causes stagflation.
 - (b) an expansionary fiscal policy may cause a reflation.
 - (c) a devaluation causes deflation.
 - (d) None of the above

9. The open economy trilemma relates
 - (a) financial integration, GDP, exchange rate.
 - (b) interest rate, unemployment rate, exchange rate.
 - (c) financial integration, exchange rate, inflation rate.
 - (d) None of the above

10. Under a flexible exchange rate regime, an expansionary
 - (a) monetary policy depreciates the domestic currency.
 - (b) fiscal policy cannot modify GDP.
 - (c) monetary policy combined with a contractionary fiscal policy pushes the inflation rate up.
 - (d) None of the above

11. Which sentence is not true?
 - (a) The monetary base includes deposits
 - (b) A lower GDP can be explained by a fiscal policy change
 - (c) A higher tax rate lowers the expenditure multiplier
 - (d) An appreciation tends to lower aggregate demand

12. In the long run, according to the mainstream view,
 - (a) monetary policy can modify real variables.
 - (b) an expansionary monetary policy causes inflation.
 - (c) the unemployment rate tends to rise.
 - (d) the domestic currency always tends to depreciate.

13. According to the mainstream view,
 - (a) full employment occurs when GDP equals potential GDP.
 - (b) potential GDP is never reached.
 - (c) the open trilemma is false.
 - (d) None of the above

14. The Phillips curve relates
 - (a) monetary policy and fiscal policy.
 - (b) fixed and flexible exchange rates.
 - (c) inflation and deflation.
 - (d) None of the above

15. It is not true that changing
 - (a) the monetary base is a monetary policy measure.
 - (b) the reserve ratio is a monetary policy measure.
 - (c) the use of transfers is a fiscal policy measure.
 - (d) the foreign interest rate does not affect the exchange rate.



Write your answers in MINUSCULE (lower case letter)

No answer: +0 · Correct answer: +1 · Incorrect answer: -1/4 · Concepts in the statements are defined as usual

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15