



STUDYDADDY

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Take Test: Midterm One

Test Information

Description This is a close book exam. All questions have equal points.

Instructions Good luck!

Multiple Attempts This test allows multiple attempts.

Force Completion This test can be saved and resumed later.

QUESTION 1**10 points**

Save Answer

There are three countries, the US, China and Europe. It takes 2 workers to produce one unit of nontradables in the US, 8 workers in China and 4 workers in Europe. The price of nontradables is 1.0 in the US, 2.0 in China and 4.0 in Europe. What is the wage rate in the US.

- 1.0
- 0.5
- 0.25
- 2.0

QUESTION 2**10 points**

Save Answer

What is the wage rate in China.

- 1.0
- 0.5
- 0.25
- 0.125

Question Completion Status:

QUESTION 3**10 points**

Save Answer

What is the wage rate in Europe.

- 1.0
- 0.25
- 0.40
- 0.125

QUESTION 4**10 points**

Save Answer

Suppose the number of workers required to produce one unit of nontradables falls to one in the US. What is the US wage rate now.

- 2.0
- 0.5
- 0.75
- 2.0

QUESTION 5**10 points**

Save Answer

Given your answer in 4, what is the price of nontradables in the US now.

- 1.0
- 0.5
- 0.25
- 2.0

QUESTION 6**10 points**

Save Answer

Answer the following questions using the long run model of inflation and exchange rates developed in class. The Fed increases the money supply by 10 percent (0.10) while the US price level increases by five percent (0.05). Growth in Europe is zero (0.0). The US exchange rate depreciates by ten percent (0.10). What is the US growth rate?

- 0.10
- 0.05
- 0.25
- 1.0

QUESTION 7**10 points**

Save Answer

What is inflation in Europe.

Question Completion Status:

- 0.10
 0.075

QUESTION 8**10 points**

Save Answer

What is money supply growth in Europe.

- 0.10
 -0.05
 0.05
 0.025

QUESTION 9**10 points**

Save Answer

Calculate the return for US investors of investing in the following countries. The US is the home country and you do not need to assume that uncovered interest parity holds. But you can assume that relative PPP holds. In each case the US interest rate is 0.10. If the interest rate in England is 0.10, the exchange rate is 2.0 and the forward rate is 2.1 what is the return for US investors in England.

- 0.15
 -0.10
 0.10
 0.075

QUESTION 10**10 points**

Save Answer

The interest rate in Pakistan is 0.4, the exchange rate is 1.0 and market participants expect the exchange rate next year to be 0.9.

- 0.15
 0.30
 0.10
 0.25

QUESTION 11**10 points**

Save Answer

The interest rate in Iran is 0.20, the exchange rate is 4.0, the forward rate is 4.0 and the risk premium is 0.15.

- 0.10
 0.05
 -0.05
 0.20

Question Completion Status:

QUESTION 12**10 points**

Save Answer

Inflation in Turkey is 0.30, inflation in the US is 0.0. The interest rate in Turkey 0.35.

- 0.05
- 0.05
- 0.05
- 0.10

QUESTION 13**10 points**

Save Answer

For the following questions assume that the Fed is committed to price level stability. Initially, the exchange rate is 1.0. The US interest rate starts at 0.15 and the Fed increases the money supply by twenty percent (0.2) reducing the interest rate to 0.01. Assume that the economy completely adjusts after two years. Two years from now, the exchange rate is.

- 1.2
- 0.80
- 1.0
- 1.10

QUESTION 14**10 points**

Save Answer

What is the change in the price level over the next two years

- 0.20
- 0.10
- 0.0
- 0.10

QUESTION 15**10 points**

Save Answer

Starting from today, what is the change in the interest rate over the next two years

- 0.10
- 0.00
- 0.14
- 0.10

QUESTION 16**10 points**

Save Answer

Question Completion Status:

... and the Fed increases the money supply by twenty percent
reducing the interest rate to 0.01. Assume that the economy
completely adjusts after two years. Starting a day after the interest
rate decrease, what is the change in the exchange rate over the next
two years.

- 0.20
- 0.00
- 0.14
- 0.10

QUESTION 17**10 points**

Save Answer

What is the change in the price level over the next two years.

- 0.20
- 0.00
- 0.10
- 0.10

QUESTION 18**10 points**

Save Answer

Assume that absolute purchasing power parity holds between the US
and the UK. But it only holds over the long run. Assume that the
same basket of goods costs 100 dollars in the US and 200 pounds in
the UK. The long run value of the US exchange rate is.

- 0.5
- 1.0
- 1.5
- We do not have enough information

QUESTION 19**10 points**

Save Answer

Nominal income per capita in the US is 50 thousand dollars. It is 50
thousand pounds in the UK. The exchange rate is 1.0. Adjusting for
price level differences, the US real income is

- The same as the UK
- Twice the UK
- Half the UK
- We do not have enough information

QUESTION 20**10 points**

Save Answer

Given the information in question 19, the Balassa Samuelson
relationship

⌵ Question Completion Status:

- We do not have enough information
-

QUESTION 21**10 points**

Save Answer

Assume that the Fed is committed to price level stability. Income grows at 0.05, the base grows at ten percent (0.10). The money multiplier

- has doubled
- has decreased by 0.05 percent
- we do not have enough information
-

Click Save and Submit to save and submit. Click Save All Answers to save all answers.

Save All Answers

Save and Submit



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