

Homework 9

Due on 26/3/2024, by 23:00

This assignment is optional but **STRONGLY RECOMMENDED**. If you do not submit the answers till the deadline, the score of your final exam will substitute for the score for this assignment. Submit only the correct letter for each task on eLearn under 'Quizzes' within 'COR2100-Economics and Society G7-8-9-10'. Note that the actual text of questions and answers is not supposed to appear on the eLearn quiz. You have unlimited attempts. The system is programmed to credit your last attempt. Be informed that if you submit an attempt and afterwards you re-open the quiz, you must submit your answers **AGAIN**. Otherwise, the system will grade the unfinished attempt with 0 (because it is the last one) and there is **NOTHING** I can do to fix this after the fact. Late homework or homework submitted outside eLearn cannot be accepted as this would violate SMU official policy for fairness and transparency in grading. This assignment is protected by Grade Insurance™: If the assignment's average turns out to be below 75, an equal amount of bonus points will be given to every work, for the average to become 75. Direct any homework questions to your TA.

1. Which of the following is a function of money?
 - A. A standard to measure value.
 - B. A means of saving value over time.
 - C. It makes it easier to trade products or services.
 - D. All of the above.
2. Which of the following features of money does cryptocurrency fail to serve?
 - A. Independence from political influence or manipulation.
 - B. Predictable value.
 - C. Non-counterfeitability.
 - D. Protection against inflation or deflation.
3. Which of the following is a function of the Central Bank?
 - A. It acts as the bank of other banks.
 - B. It guarantees commercial banks' profitability.
 - C. Both A and B.
 - D. None of the above.
4. Which of the following population groups is **LESS** affected in periods of high inflation?
 - A. Employees with no bargaining power over their wages.
 - B. People with no cash savings.
 - C. Firms with fixed long-term contracts with their customers.
 - D. Governments which have issued long-term bonds.
5. Which of the following is most likely to put downward pressure to the interest rate?
 - A. An increase in price level.
 - B. An increase in unemployment.
 - C. Government transferring funds from public health to public education.
 - D. Central Bank buying large amount of bonds by firms.

6. What is the role of money when you use your debit card to buy a book from Bookz.com?
- A. Unit of account.
 - B. Medium of exchange.
 - C. Store of value.
 - D. Money has no role in this transaction.
7. Suppose that the real GDP grows by 5% and at the same time prices increase by 4%. Which of the following could have happened?
- A. Unemployment declined.
 - B. The money supply has increased.
 - C. Both A and B.
 - D. None of the above.
8. Which of the following is accurate if prices decline by 12% on average and wages decline by 8% on average?
- A. Both entrepreneurs and workers will be better off.
 - B. Both entrepreneurs and workers will be worse off.
 - C. Entrepreneurs will be better off, and workers will be worse off.
 - D. Entrepreneurs will be worse off, and workers will be better off.
9. Which of the following is LESS likely to be the reason why a CB executes an Open Market Purchase?
- A. To implement monetary policy.
 - B. To increase the interest rate.
 - C. To increase liquidity in the economy.
 - D. To boost the economy.
10. Which of the following is accurate according to the Phillips relationship?
- A. Firms expand their activities hiring more workers, which makes firms decrease prices.
 - B. Firms reduce their activities firing workers, which makes firms increase their prices.
 - C. An increase in the price level incentivizes firms to hire more workers.
 - D. An increase in price level makes firms to fire workers.
11. Which of the following could offset a decrease in money supply, leaving the interest rate unchanged?
- A. Commercial banks decide to hold more reserves.
 - B. A decrease in taxation.
 - C. A decrease in real GDP.
 - D. All of the above.
12. Which of the following is most likely to prevent commercial banks from lending money, under the “ample reserves regime”?
- A. Insufficient deposits.
 - B. Lack of reliable investors.
 - C. A high unemployment rate.
 - D. All of the above.

13. How much money can be created from a \$500 deposit, if the reserve ratio is 10%?
- A. Around \$450.
 - B. Around \$900.
 - C. Around \$2,500.
 - D. Around \$4,500.
 - E. Around \$5,000.
 - F. Around \$9,000.
14. Which of the following is LESS likely to be a reason why a small inflation can benefit economies?
- A. It stimulates economic activity.
 - B. It leads to a more equal distribution of income.
 - C. It can help unemployed people to find jobs.
 - D. It increases firms' profitability.
15. In 2021, El Salvador legally adopted bitcoin as a formal currency, alongside with the US dollar. Today, most transactions are still conducted in US dollars, but there are also some that are carried out in bitcoin. How did the introduction of bitcoin affect El Salvador's money market?
- A. Its money demand for US dollars has increased.
 - B. Its money demand of US dollars has decreased.
 - C. Its money supply of US dollars has increased.
 - D. Its money supply of US dollars has decreased.
16. Which of the following could have been a result of Credit Suisse's collapse in March 2023, for Switzerland's money market?
- A. Money demand decreased.
 - B. Money supply decreased.
 - C. Both A and B.
 - D. None of the above.
17. How would a speculator react to a decrease in the interest rate?
- A. She will buy bonds.
 - B. She will sell bonds.
 - C. Either A or B.
 - D. None of the above.
18. Which of the following best describes the term "seignorage"?
- A. The gain to a government from printing money instead of borrowing or taxing.
 - B. The profit made by a CB from conducting Open Market Operations.
 - C. The cost of regulating the banking system.
 - D. The inflation tax paid by taxpayers according to their income every year.
19. Which of the following is true for the ample-reserves regime?
- A. The CB can control the real interest rate.
 - B. Commercial banks cannot satisfy the entire demand for loans for any interest rate.
 - C. The CB risks losses if a loan given by a commercial bank defaults.
 - D. All of the above.

20. Which of the following is true for the scarce-reserves regime?

- A. The CB can control the real interest rate.
- B. Commercial banks cannot satisfy the entire demand for loans for any interest rate.
- C. Banks are prohibited by the CB to loan out a certain percentage of deposits.
- D. All of the above.

Good afternoon! Once, I had written in a blue box like this one: "If you half-ass university, most likely you will half-ass your career later". A student emailed me the following reply: "Bill Gates, Steve Jobs, Mark Zuckerberg and many others became successful without being good students. In fact, they did not even graduate from college. Work experience is what matters, not education." I answered to him in a later blue box: "Dear [...], there are a few things you are missing: First, Bill Gates, Steve Jobs, Mark Zuckerberg and others are the 0.1% of dropouts who knew what they were doing and became successful on their own. The rest 99.9% of dropouts, would have achieved and earned much more in their life, had they stayed in college. Second, Bill Gates, Steve Jobs, Mark Zuckerberg and others never intended to be hired. They created their own paths, started their own companies, shaped new industries. This involved massive risks and if today we know their names, it is because those risks paid off. However, many other equally competent people took similar risks that unfortunately never paid off and thus, no one ever heard about their sad stories. Third, Gates, Jobs, Zuckerberg and others did not drop out of college because they could not keep up with their studies. They dropped out because their area of interest was new, very fast developing and the knowledge they would have acquired in college was objectively not useful to them in the pursuit of their goals. Fourth, Gates, Jobs, Zuckerberg and the others did not half-ass their studies because they needed a diploma to include in their CV. Instead, they understood that their priorities were different; they dropped out completely and pursued their plan full-time. Successful people either do something right or they do not do it at all. So, there is nothing wrong in graduating with a C. Just don't fool yourself that this makes you a Bill Gates, a Steve Jobs, or even... a Mark Zuckerberg."

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