

## Homework 9

Due on 5/11/2024, 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 G10-11-12-13'. 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** or else 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 NOT a function of the Central Bank?
  - A. To affect the interest rate.
  - B. To affect the money supply.
  - C. To finance government expenditure.
  - D. To regulate the banking system.
2. Which of the following properties of money are cryptocurrencies LESS likely to satisfy?
  - A. Divisibility.
  - B. Durability.
  - C. Hedge against inflation.
  - D. General acceptance.
3. Which of the following is likely to increase money demand, ceteris paribus?
  - A. An increase in real GDP.
  - B. An increase in cost of living.
  - C. Both A and B.
  - D. None of the above.
4. What is the role of money that you use to purchase 100 shares of an S&P500 company?
  - A. Store of value.
  - B. Means of creating wealth.
  - C. Medium of exchange.
  - D. None of the above.
5. In the last few years, Central Banks around the globe raised interest rates to fight inflation. Who of the following has been negatively affected the most?
  - A. Speculators who sold their bonds after the increase in interest rates.
  - B. Speculators who sold their bonds before the increase in interest rates.
  - C. Speculators who have bought bonds with the intention to keep them until they expire.
6. Why inflation is bad?
  - A. Because nominal prices of goods change.
  - B. Because the increase in wages lags behind the increase in prices.
  - C. Because wages increase by less than the prices.
  - D. Because firms' profit margins decrease.

7. Which of the following is accurate according to the Phillips relationship?
- A. Inflation increases firms' profit margin, which incentivizes them to hire more workers.
  - B. Inflation decreases firms' profit margin, which incentivizes them to fire workers.
  - C. Firms that hire more workers, increase their prices to afford the extra cost.
  - D. Firms that fire workers, increase their prices to increase profitability.
8. Which of the following happens during an Open Market Purchase?
- A. The private sector buys securities from the CB, leading to a decrease in M1.
  - B. The private sector buys securities from the CB, leading to an increase in M1.
  - C. The private sector sells securities to CB, leading to a decrease in M1.
  - D. The private sector sells securities to CB, leading to an increase in M1.
9. In periods of high inflation, which of the following groups is LESS affected?
- A. Pensioners.
  - B. Freelancers.
  - C. Military personnel.
  - D. Members of the Parliament.
10. Which of the following institutions do NOT participate in the process of *money creation*?
- A. The Government.
  - B. The commercial banks.
  - C. The Central Bank.

*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."*

*Kosmas*