

Homework 9

Due on 31/3/2026, 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 G10-11-12-13-14-15'. 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. Tech Byte magazine posted an article under the title: *"Apple's CEO salary in 2020 was \$1,225,000 per month"*. How is money used in this statement?
 - A. Unit of account.
 - B. Medium of exchange.
 - C. Store of value.
 - D. All of the above.
 - E. None of the above.
2. How will the demand of M1 money be affected in Singapore, if the government bans transactions with cryptocurrencies?
 - A. It will increase.
 - B. It will decrease.
 - C. It will not be affected.
3. Which of the following will decrease the demand for M1 money, ceteris paribus?
 - A. An increase in the real interest rate.
 - B. An increase in the real GDP.
 - C. A decrease in prices.
 - D. A decrease in money supply.
4. Suppose that real GDP has grown and the Central Bank responds by increasing M1. Which of the following could be the reason for the increase in M1?
 - A. To stimulate employment.
 - B. To stimulate productivity.
 - C. To keep inflation down.
 - D. To prevent deflation.
5. In periods of high inflation, which of the following societal groups is **LESS** affected?
 - A. Pensioners.
 - B. Private school teachers.
 - C. Police personnel.
 - D. Freelancers.

6. Which of the following could be a reason for the Central Bank to decrease the real interest rate?
 - A. To expand credit to firms.
 - B. To increase the M1 money that circulates in the economy.
 - C. Both A and B.
 - D. None of the above.

7. What prevents commercial banks from loaning out an infinite amount of money when reserves are scarce?
 - A. That the Central Bank defines the real interest rate.
 - B. That the Central Bank will not approve excess loans.
 - C. That inflation would increase.
 - D. That the Central Bank defines a Reserve Ratio for commercial banks.
 - E. That the total money supply is limited by the Central Bank.

8. What prevents commercial banks from loaning out an infinite amount of money when reserves are ample?
 - A. That the Central Bank will not approve excess loans.
 - B. That a finite amount of loans is demanded at the set real interest rate.
 - C. Both A and B.
 - D. None of the above.

9. Which of the following best describes the Phillips curve?
 - A. Inflation and unemployment change in opposite directions in the S-R.
 - B. Inflation and unemployment change in the same direction in the S-R.
 - C. Inflation and unemployment change in the same direction in the L-R.
 - D. Inflation and unemployment change in opposite directions in the L-R.

10. Which of the following is a reason why money demand is negatively sloped?
 - A. The real interest rate is the opportunity cost of holding M1 money.
 - B. Firms and households save more when the economy grows.
 - C. Inflation is positively correlated with demand for M1 money.
 - D. Individuals will always want to hold more M1 money.

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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