

## Homework 10

Due on 7/4/2026, 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. Which of the following could be the target of Expansionary Fiscal Policy?
  - A. To control inflation.
  - B. To decrease the government deficit.
  - C. To decrease unemployment.
  - D. All of the above.
  - E. None of the above.
2. How can a Central Bank accommodate Expansionary Fiscal Policy by the government in a scarce reserves regime?
  - A. By increasing the government spending.
  - B. By increasing the tax coefficient.
  - C. By increasing the interest rate.
  - D. By increasing money supply.
3. Which of the following is **LESS** likely to be affected by an increase in the money supply?
  - A. The interest rate.
  - B. Private investment.
  - C. Government spending.
  - D. The equilibrium output.
4. Which of the following is accurate?
  - A. A shock from the money market cannot be transmitted to the commodity market.
  - B. A shock from the commodity market cannot be transmitted to the money market.
  - C. A shock from the money market cannot be stabilized by the commodity market.
  - D. A shock from the commodity market cannot be stabilized by the money market.
5. Which of the following policies would be more suitable for a country with high government debt and high inflation?
  - A. Expansionary monetary policy.
  - B. Contractionary monetary policy.
  - C. Expansionary fiscal policy.
  - D. Contractionary fiscal policy.

6. Why investment and real interest rate are negatively related?
- A. Because the higher the real interest rate the costlier funding is for investment projects.
  - B. Because the higher the real interest rate the lower the expected return of investment projects.
  - C. Because the higher the real interest rate the lower the prices of goods produced by firms.
  - D. Because the higher the real interest rate the higher the risk of investment projects.
7. Which of the following is NOT accurate regarding the 2007-09 Financial Crisis?
- A. Many people lost their jobs even outside the banking/finance sector.
  - B. Everyone tried to withdraw their deposits from banks.
  - C. Several major financial institutions collapsed.
  - D. A speculative bubble rapidly increased real estate prices.
8. Which of the following is LESS likely to be the intention of Contractionary Fiscal Policy?
- A. To lower money demand.
  - B. To lower inflation.
  - C. To lower national debt.
  - D. To increase government revenue.
9. From 2020 to 2025, Greece reduced its debt-to-GDP ratio from 200% to 150%, yet its real GDP increased by only 20%. Which of the following could explain these two seemingly contradictory facts?
- A. High inflation occurred in this period.
  - B. The government used budget surplus to pay back debt.
  - C. Both A and B.
  - D. None of the above.
10. A bank intends to lend out 100 million dollars. Which of the following involves the lowest risk in principle?
- A. Lending \$100,000 to 1,000 different borrowers, each exposed to the same type of risk of default.
  - B. Lending \$1 million to 100 different borrowers, each exposed to a different type of risk of default.
  - C. Lending \$100 million to a single borrower.
  - D. All of the above involve the same level of risk.

*Good afternoon! As we approach the end, I would like to share some valuable lessons that I have learned through expensive experiences. I am not sure if they will be of any use to you but... you never know. The order is random: (1) Cherish the moments and those around you before they become memories. People and moments sometimes leave us without notice. (2) If you choose to do something, do it well or don't do it at all. Life is too short to waste it in mediocre shit. (3) The only person you need to be competing with is your yesterday's self. (4) You cannot be a Gentleman or a Lady only 'sometimes' or only to 'some'. You either are or you are not and the choice is yours. (5) Giving your best matters more than winning. (6) If somebody makes your life difficult, they are either a jerk or maybe they care for you. In most cases, it's the former, but it's worth exploring to see if it's the latter. (7) The right path is always uphill. (8) Only a foolish person takes pride in something they did not contribute to achieving. (9) Only losers succeed always because they never take on difficult challenges. (10) The journey matters more than the destination but who you are traveling with matters even more. (11) Those who give you advice will not be there to share the cost if you fail. (12) If everyone around you gives you the same advice, listen to them. Then, try to prove them wrong. It is your life. Live it as you want. (13) If everyone around you tells you what you want to hear, start looking for some real friends. (14) If something can be counted (money, likes, views, sexual partners, cars, houses etc.) it doesn't have any real value. Kosmas*