

## Feedback — Week Ten Quiz

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You submitted this quiz on **Sat 22 Mar 2014 4:47 AM PDT**. You got a score of **31.00** out of **31.00**.

### Question 1

The basic “Trade Identity Equation” requires that:

Your Answer	Score	Explanation
<input type="radio"/> If a country runs a trade deficit in its current account, it must balance that deficit with outflows from its capital account!		
<input type="radio"/> The current account must equal the difference between the budget deficit and the trade deficit		
<input checked="" type="radio"/> If a country runs a trade deficit in its current account, it must balance that deficit with inflows into its capital account.	✓ 1.00	
<input type="radio"/> Don't know		
Total	1.00 / 1.00	

### Question 2

When all countries have purely market-determined exchange rates, official-reserve changes equal:

Your Answer	Score	Explanation
<input checked="" type="radio"/> Zero	✓ 1.00	
<input type="radio"/> One		

☐ One hundred percent

☐ Don't know

Total

1.00 / 1.00

### Question 3

When countries attempt to affect their exchange rates by buying and selling foreign currencies, this is called:

**Your Answer**

**Score**

**Explanation**

☐ Compounding

☐ Don't know

☐ Retribution

☒ Intervention



1.00

Total

1.00 / 1.00

### Question 4

Which statement is true?

**Your Answer**

**Score**

**Explanation**

☐ Exchange rates are quoted for each country and therefore are absolute values.

☒ Exchange rates are quoted by currency pairs and therefore are relative values.



1.00

☐ Exchange rates are quoted in dollar terms and are typically pegged

☐ Don't know

Total	1.00 /
	1.00

## Question 5

A country's currency that gains in value relative to another is said to:

Your Answer	Score	Explanation
-------------	-------	-------------

<input checked="" type="radio"/> Appreciate.	✓	1.00
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☐ Depreciate

☐ Be manipulated

☐ Don't know

Total	1.00 / 1.00
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## Question 6

Suppose the exchange rate today is 1 dollar for 1.2 euros and next year it changes to 1 dollar for 1.4 euros. Has the euro appreciated or depreciated?

Your Answer	Score	Explanation
-------------	-------	-------------

<input checked="" type="radio"/> Depreciated	✓	1.00
--	---	------

☐ Appreciated

☐ No change☐ Don't know

Total

1.00 / 1.00

## Question 7

Which of the following are reasons why exchange rates may change?

**Your Answer****Score****Explanation**☐ 1. Differing rates of GDP growth between countries.☐ 2. Differing rates of inflation between countries.☐ 3. Currency speculation.☒ All of the above

✓ 1.00

☐ 1 & 2 only

Total

1.00 / 1.00

## Question 8

If Great Britain's GDP grows faster than Canada's, the British pound is like to do what relative to the Canadian dollar?

**Your Answer****Score****Explanation**☒ Depreciate

✓

1.00

☐ Appreciate

☐ No change

☐ Don't know

Total

1.00 / 1.00

## Question 9

If Thailand experiences a more rapid rise in its inflation rate than Mexico, the Thai baht will do what relative to the Mexican peso?

**Your Answer**

**Score**

**Explanation**

☒ Depreciate



1.00

☐ Appreciate

☐ No change

☐ Don't know

Total

1.00 / 1.00

## Question 10

The "Law of One Price" predicts that exchange rates must adjust to insure that:

**Your Answer**

**Score**

**Explanation**

☐ 1. The nominal price of an identical good produced in two different countries must be the same.

☒ 2. The real, inflation-adjusted price of an identical good produced in two different countries must be the same.



1.00

☐ Both 1 & 2☐ Don't know

Total	1.00 /
	1.00

## Question 11

Suppose the U.S. Federal Reserve raises interest rates while the Bank of England takes no such action. In this case, will the British pound appreciate or depreciate relative to the U.S. dollar?

Your Answer	Score	Explanation
-------------	-------	-------------

☒ Depreciate

1.00

☐ Appreciate☐ No change☐ Don't know

Total	1.00 / 1.00
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## Question 12

Suppose that a new study comes out showing that Brazilian coffee has a higher cancer risk than other countries around the world. Will the Brazilian real appreciate or depreciate relative to the euro?

Your Answer	Score	Explanation
-------------	-------	-------------

☒ Depreciate

1.00

☐ Appreciate

☐ No change☐ Don't know

Total

1.00 / 1.00

## Question 13

Suppose currency traders believe the Bank of Venezuela is going to soon raise interest rates to fight inflation. Will currency speculators tend to buy or sell the Venezuela's currency, the bolivar?

**Your Answer****Score****Explanation**☒ Buy

1.00


☐ Sell☐ Neither Buy nor Sell☐ Don't know

Total

1.00 / 1.00

## Question 14

In a fixed exchange rate system:

**Your Answer****Score****Explanation**☐ 1. A country will allow its currency to freely move in response to market conditions.☒ 2. A country will peg the value of its currency to the value of another.  1.00

☐ Both 1 & 2☐ Don't know

Total	1.00 /
	1.00

## Question 15

Which of these is an example of a fixed exchange rate system?

Your Answer	Score	Explanation
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☐ 1. The Gold Standard☐ 2. The Dollar Standard☐ 3. The International Monetary Fund☐ All of the above

<input checked="" type="radio"/> 1 & 2 only	✓	1.00
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☐ Don't know

Total	1.00 / 1.00
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## Question 16

Under the gold standard, a country that ran a trade surplus would:

Your Answer	Score	Explanation
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<input checked="" type="radio"/> Increase its gold reserves	✓	1.00
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- ☐ Don't know
- 
- ☐ Decrease its gold reserves
- 
- ☐ Experience no change in its gold reserves
- 

Total

1.00 / 1.00

## Question 17

The gold standard collapsed in large part because:

**Your Answer****Score****Explanation**

- ☐ 1. Some countries like France had their currencies undervalued
- 
- ☐ 2. Some countries like Britain had their currencies overvalued
- 
- ☐ 3. Gold reserves around the world rose dramatically
- 
- ☐ All of the above
- 
- ☒ 1 & 2 only
- 
- ☐ Don't know
- 

✓ 1.00

Total

1.00 /  
1.00

## Question 18

A country that finds its currency significantly overvalued will:

Your Answer	Score	Explanation
<input type="radio"/> 1. Find it difficult to sell its exports		
<input type="radio"/> 2. Be overwhelmed by cheap imports.		
<input type="radio"/> 3. See its trade deficit fall		
<input type="radio"/> All of the above		
<input checked="" type="radio"/> 1 & 2 only	✓ 1.00	
<input type="radio"/> Don't know		
Total	1.00 / 1.00	

## Question 19

Just before the start of the Great Depression, President Herbert Hoover sought to stem the flow of gold overseas by doing what?

Your Answer	Score	Explanation
<input checked="" type="radio"/> Raising interest rates	✓ 1.00	
<input type="radio"/> Cutting interest rates		
<input type="radio"/> Ordering the mining of more gold		
<input type="radio"/> Don't know		
Total	1.00 / 1.00	

## Question 20

When a country devalues its currency to boost exports and reduce imports, this is called:

Your Answer	Score	Explanation
<input type="radio"/> 1. A “competitive devaluation”		
<input type="radio"/> 2. A “beggar thy neighbor” policy		
<input type="radio"/> 3. A fixed exchange rate system		
<input type="radio"/> All of the above		
<input checked="" type="radio"/> 1 & 2 only	✓ 1.00	
<input type="radio"/> Don't know		
Total	1.00 / 1.00	

## Question 21

The Dollar Standard established at Bretton Woods, New Hampshire, USA was:

Your Answer	Score	Explanation
<input type="radio"/> 1. Was a partially fixed or adjustable peg system.		
<input type="radio"/> 2. Replaced the gold standard with a U.S. dollar standard.		
<input type="radio"/> 3. Designated the U.S. dollar as the world's key currency.		
<input type="radio"/> 4. Set fixed exchange rate parities in both gold and dollar terms.		
<input checked="" type="radio"/> All of the above	✓ 1.00	
<input type="radio"/> 1, 2, & 3 only		
<input type="radio"/> Don't Know		

Total	1.00 / 1.00
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## Question 22

Under the dollar standard, if the Swiss Franc was set at 10 francs per ounce of gold and the Canadian dollar was set at \$20 per ounce, what was the exchange rate between the franc and the Canadian dollar?

Your Answer	Score	Explanation
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<input checked="" type="radio"/> Two Canadian dollars per one Swiss franc	✓ 1.00	
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<input type="radio"/> Two Swiss francs per one Canadian dollar		
--	--	--

<input type="radio"/> Both		
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<input type="radio"/> Don't know		
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Total	1.00 / 1.00
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## Question 23

A big difference between the gold standard and the dollar standard was that:

Your Answer	Score	Explanation
-------------	-------	-------------

<input checked="" type="radio"/> Under the dollar standard, exchange rates were partially fixed and could be periodically adjusted to reflect changes in currency values.	✓ 1.00	
---	--------	--

<input type="radio"/> Don't know		
----------------------------------	--	--

<input type="radio"/> Under the dollar standard, currencies floated once a year in the currency markets		
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☐ Under the gold standard, exchange rates were partially fixed and could be periodically adjusted to reflect changes in currency values.

Total	1.00 / 1.00
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## Question 24

The Dollar Standard and Bretton Woods agreement collapsed primarily because of:

Your Answer	Score	Explanation
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<input checked="" type="radio"/> America's growing trade deficits	✓ 1.00	
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<input type="radio"/> Don't know		
----------------------------------	--	--

<input type="radio"/> America's growing budget surpluses		
--	--	--

<input type="radio"/> America's growing trade surpluses		
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Total	1.00 / 1.00
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## Question 25

Which president abandoned the Dollar Standard?

Your Answer	Score	Explanation
-------------	-------	-------------

<input checked="" type="radio"/> Richard Nixon	✓ 1.00	
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<input type="radio"/> Dwight Eisenhower		
---	--	--

<input type="radio"/> Jimmy Carter		
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☐ Lyndon Johnson

☐ Don't know

Total

1.00 / 1.00

## Question 26

Under a "managed float":

**Your Answer**

**Score**

**Explanation**

☐ 1. Markets determine the currency's value.

☐ 2. There is very little intervention.

☐ 3. A country buys or sells its currency to reduce day-to-day volatility of currency fluctuations.

☒ All of the above



1.00

☐ 1 & 2 only

☐ Don't know

Total

1.00 /  
1.00

## Question 27

When the United States runs a budget deficit, that tends to:

**Your Answer**

**Score**

**Explanation**

☐ Don't know

☐ Decrease its trade deficit

☒ Increase its trade deficit



1.00

☐ Have no impact on its trade deficit

Total

1.00 / 1.00

## Question 28

Suppose the GDP of the United States falls because of a recession. What is likely to happen to European exports to the U.S. and European GDP growth?

**Your Answer**

**Score**

**Explanation**

☒ European exports and GDP fall



1.00

☐ European exports fall and GDP rises

☐ Don't know

☐ European exports and GDP rises

☐ European exports rise and GDP falls.

Total

1.00 / 1.00

## Question 29

Suppose that America wants to reduce its trade deficit with Japan. Which would be an example of a cooperative policy between the two countries to achieve that goal?

**Your Answer**

**Score**

**Explanation**

☒ Japan engages in increased fiscal stimulus



1.00

☐ The U.S. raises the value of its currency relative to the Japanese yen

☐ The U.S. imposes a new tariff on Japanese imports

☐ Don't know

Total 1.00 / 1.00

## Question 30

Suppose the European Central Bank decides to raise interest rates to fight inflation and neither the U.S. Federal Reserve or Canada's Central bank respond with matching rate hikes? What is likely to happen to the trade balance of Europe relative to the U.S. and Canada?

Your Answer	Score	Explanation
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☐ Don't know

☐ Europe's exports and imports will fall

☐ Europe's exports will rise and its imports fall

☒ Europe's exports will fall and its imports rise ✓ 1.00

Total 1.00 / 1.00

## Question 31

Exchange rates tend to:

Your Answer	Score	Explanation
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☐ Fall towards an asymptotic value



<input type="radio"/>	Tend to remain constant		
<input type="radio"/>	Don't know		
<input checked="" type="radio"/>	Rise and fall over time.	✓	1.00
Total		1.00 / 1.00	

