## Feedback — Week Ten Quiz

Help

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** If a country runs a trade deficit in its current account, it must balance that deficit with outflows from its capital account! The current account must equal the difference between the budget deficit and the trade deficit If a country runs a trade deficit in its current account, it must ✓ 1.00 balance that deficit with inflows into its capital account. Don't know Total 1.00 / 1.00

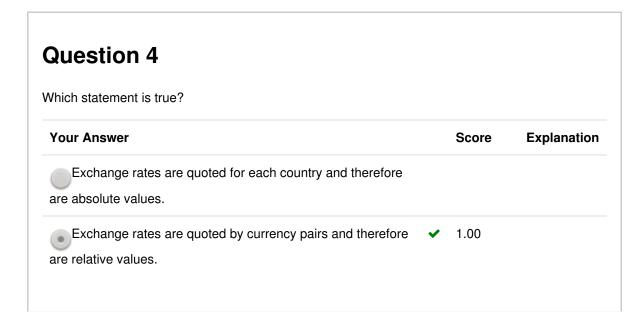
### **Question 2**

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

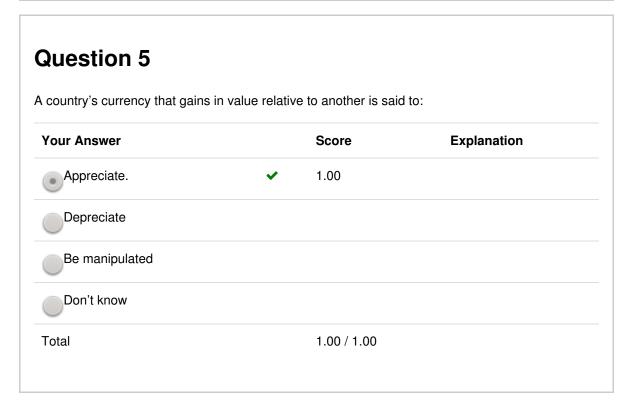
Your Answer		Score	Explanation
Zero	~	1.00	
One			

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 Compounding Don't know Retribution Intervention ✓ 1.00 Total 1.00 / 1.00

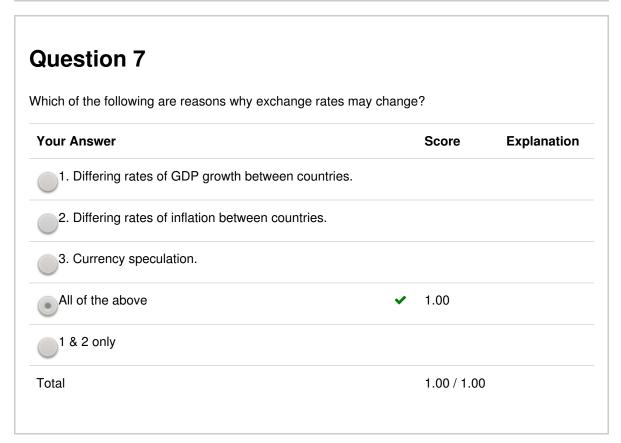


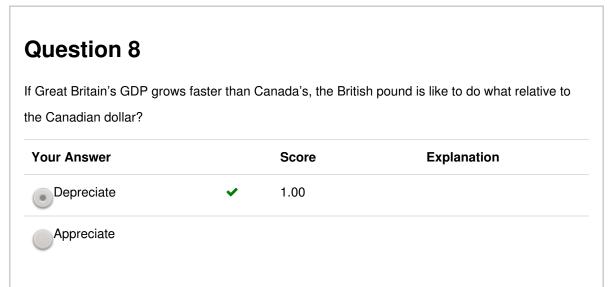
Exchange rates are quoted in dollar terms and are typically pegged		
Don't know		
Total	1.00 /	
	1.00	

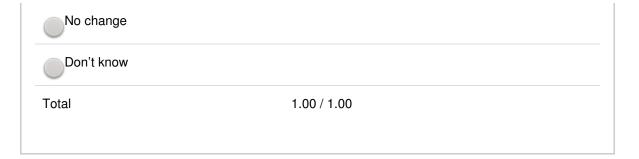


## Question 6 Suppose the exchange rate today is 1 dollar for 1.2 euros and next year it changes to 1 dollar for 1.4 euros. Has the euro appreciated or depreciated? Your Answer Score Explanation Depreciated ✓ 1.00 Appreciated

No change	
Don't know	
Total	1.00 / 1.00







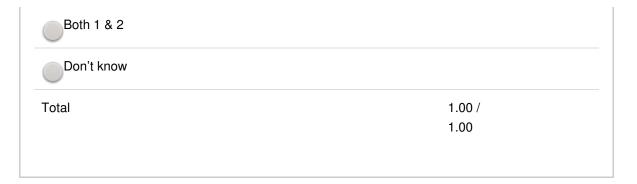
If Thailand experiences a more rapid rise in its inflation rate than Mexico, the Thai baht will do what relative to the Mexican peso?

our Answer		Score	Explanation
Depreciate	<b>~</b>	1.00	
Appreciate			
No change			
Don't know			
otal		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	~	1.00	
produced in two different countries must be the same.			



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?

Explanation	Score		Your Answer
	1.00	<b>~</b>	Depreciate
			Appreciate
			No change
			Don't know
	1.00 / 1.00		Total
	1.00 / 1.00		Total

## **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	

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	<b>~</b>	1.00	
Sell			
Neither Buy nor Sell			
Don't know			
Total		1.00 / 1.00	

## **Question 14**

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.	<b>~</b>	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 1. The Gold Standard 2. The Dollar Standard 3. The International Monetary Fund All of the above 1 & 2 only ✓ 1.00 Don't know Total 1.00 / 1.00



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
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	<b>~</b>	1.00	
Don't know			
Total		1.00 / 1.00	

A country that finds its currency significantly overvalued will:

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

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
Raising interest rates	<b>~</b>	1.00	
Cutting interest rates			
Ordering the mining of more gold			
Don't know			
Total		1.00 / 1.00	

## **Question 20**

Your Answer	Score	Explanation
1. A "competitive devaluation"		
2. A "beggar thy neighbor" policy		
3. A fixed exchange rate system		
All of the above		
1 & 2 only	<b>✓</b> 1.00	
Don't know		
Total	1.00 / 1.0	0

The Dollar Standard established at Bretton Woods, New Hamps	hire, U	JSA was:	
Your Answer		Score	Explanation
Nas a partially fixed or adjustable peg system.			
2. Replaced the gold standard with a U.S. dollar standard.			
3. Designated the U.S. dollar as the world's key currency.			
4. Set fixed exchange rate parities in both gold and dollar terms.			
All of the above	~	1.00	
1, 2, & 3 only			

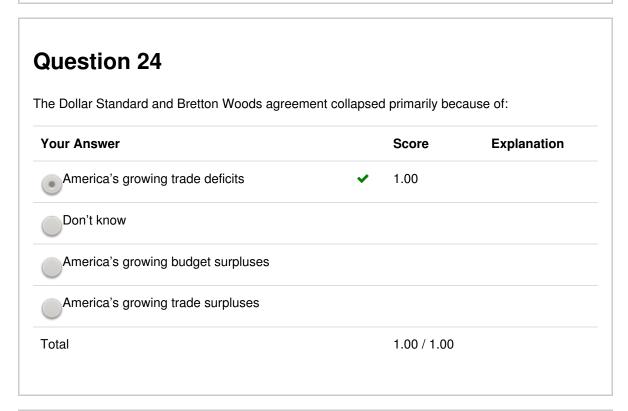
Total	1.00 /
	1.00

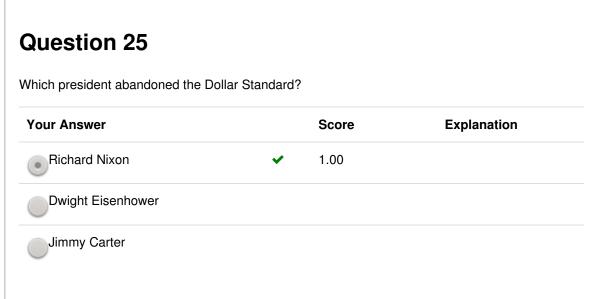
## Question 22 Under the dollar standard, if the Swiss Franc was set at 10 francs per ounce of gold and the Canadian dollar was set at \$20 per ounce, what was the exchange rate between the franc and the Canadian dollar? Your Answer Score Explanation Two Canadian dollars per one Swiss franc ✓ 1.00

Two Swiss francs per one Canadian dollar	
Both	
Don't know	
Total	1.00 / 1.00

## A big difference between the gold standard and the dollar standard was that: Your Answer Score Explanation Under the dollar standard, exchange rates were partially 1.00 fixed and could be periodically adjusted to reflect changes in currency values. Don't know Under the dollar standard, currencies floated once a year in the currency markets

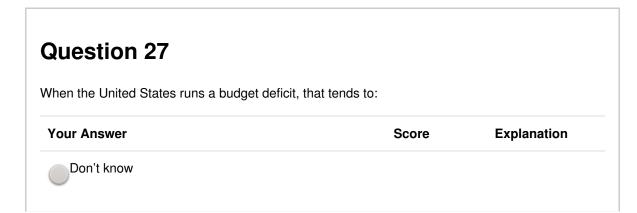
Under the gold standard, exchange rates we fixed and could be periodically adjusted to reflect currency values.		
Total	1.00 /	
	1.00	





Lyndon Johnson		
Don't know		
Total	1.00 / 1.00	

Question 26			
Under a "managed float":			
Your Answer	Sco	ore	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	<b>✓</b> 1.0	0	
1 & 2 only			
Don't know			
Total	1.0 1.0		



Decrease its trade deficit		
Increase its trade deficit	<b>✓</b> 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	<b>~</b>	1.00	



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
Don't know			
Europe's exports and imports will fall			
Europe's exports will rise and it 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 Fall towards an asymptotic value

Tend to remain constant		
Don't know		
Rise and fall over time.	<b>~</b>	1.00
Total		1.00 / 1.00

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