

Problem Set #1

due Monday September 30, 2019

Part I (40 points): Multiple choice questions

1. (10 points) Imports are
 - A. added to obtain GDP because they are part of household consumption
 - B. subtracted to obtain GDP because they are not produced domestically
 - C. neither added nor subtracted to obtain GDP
2. (10 points) Which of the following would be included in GDP?
 - A. services that are produced by foreigners within the domestic borders of a nation
 - B. goods that are produced and sold illegally
 - C. intermediate goods
3. (10 points) Which one of the following statements is the MOST accurate?
 - A. The sale of a used textbook does generate income for factors of production
 - B. The sale of a used textbook does not generate income for any factor of production
 - C. The sale of a used textbook sometimes does and sometimes does not generate income for factors of production
 - D. The sale of a used textbook is a part of the GDP
4. (10 points) Purchases of inventories by
 - A. firms are not counted in investment spending
 - B. firms are also counted in investment spending
 - C. households are also counted in investment spending
 - D. households and firms are also counted in investment spending
 - E. foreign consumers are counter in investment spending

Part II (60 points): Net foreign asset position of Switzerland.

This part of the problem set asks you to calculate the net foreign asset position of Switzerland and analyze and explain its recent dynamics. Keep in mind that: a) the global financial crisis

occurred between 2007Q3¹ and 2009Q1; b) the peak of euro zone debt crisis occurred between 2009Q3 and 2012Q3. Please go to the SNB data portal; Switzerland's international investment position, Components, Quarter and download data on net international investment position (NIIP henceforth): Total, Direct Investment, Portfolio Investment, Derivatives, Other Investment and Reserve assets; from 2000Q1 to the latest quarter available.

1. (10 points) Plot the six net international investment positions series in a graph.
2. (10 points) Briefly describe the behavior of **Total** NIIP since 2007Q3 (go up, go down, etc.)
3. (10 points) Which component(s) explain(s) the behavior of Total NIIP?
4. (15 points) The main component of Other Investment is Currency and Deposits (this is a fact). Please plot the subcomponents of Net Other Investment - Currency and Deposits. Can you explain the large decrease of Net Other Investment - Currency and Deposits - Banks - Total?
5. (15 points) Reserve assets are central bank's assets denominated in foreign currencies and gold. Reserve assets are therefore the foreign assets held by the Swiss National Bank (SNB). Can you explain the large increase in Reserve Assets since 2009?

¹Q: quarter