

Exam 2

Course Title: **Terminología Especializada en Económica y Mercados Bursátiles**
Course ID: **IT0522 (Marron, 25-2)**
Cohort ID: **5C**
Exam Date: **13 Mar 2025**

General Instructions: Print your name in the upper right-hand corner of this paper. Read each item carefully. Be sure that you understand exactly what is being asked of you. Begin your answers on the backside of this paper if possible and add extra sheets of paper as needed. Be sure to write your name on any and all extra sheets of paper. Staple all exam papers together when you are finished.

Do not look at other student's exams. If you have a question or a request during the exam, raise your hand and the instructor will call on you.. Do not leave your desk without permission. If you finish early, raise your hand and the instructor will call on you.

This is a closed book exam; however, you may bring one (1) 8 in. x 11 in. "cheat sheet" to the exam. Attempt to answer all questions, even if you are uncertain. Whenever possible, provide answers in bullet list format with complete content. Tasks will be evaluated by sub-tasks. Three (3) points are available for each sub-task: Accuracy (1 pt), Completeness (1 pt), and Sufficiency (1 pt). Points will be awarded in 0.1 increments. Answer in English unless requested to do so otherwise.

Task 1 (6 pts)

Answer the following questions regarding stock, market types, and stock market investments.

1. What is a share of stock?
2. What is the difference between bonds and stocks?
3. Explain the differences in competition between types of markets. That is, what are the differences between markets with perfect competition, market monopolies, and markets with imperfect competition (monopolistic competition markets and market oligopolies)?
4. Why do many individuals choose to hold their wealth in stocks?

Task 2 (6 pts)

Translate the following into Spanish.

To assess whether stock markets are merely burgeoning casinos where more and more players are coming to place bets or whether stock markets are importantly linked to economic growth, this paper reviews a diffuse theoretical literature and presents new empirical evidence. In terms of theory, a growing literature argues that stock markets provide services that boost economic growth. Specifically, Greenwood and Smith (1996) show that large stock markets can lower the cost of mobilizing savings and thereby facilitate investment in the most productive technologies. Bencivenga, Smith, and Starr (1996) and Levine (1991) argue that stock market liquidity -- the ability to trade equity easily -- is important for growth. Specifically, although many profitable investments require a long-run commitment of capital, savers do not like to relinquish control of their savings for long periods. Liquid equity markets ease this tension by providing an asset to savers that they can quickly and inexpensively sell. Simultaneously, firms have permanent

access to capital raised through equity issues. Moreover, Kyle (1984) and Holmstrom and Tirole (1995) argue that liquid stock markets can increase incentives to get information about firms and improve corporate governance. Finally, Obstfeld (1994) shows that international risk sharing through internationally integrated stock markets improves resource allocation and can accelerate the rate of economic growth.

Task 3 (6 pts)

Answer the following questions regarding the value of stock markets.

1. Why does the stock market matter?
2. What is the role of the stock market in the economy?
3. Why do economists consider stock markets to be perfect competition markets? Are they?
4. Do you think evidence and data support the claim that there is a strong empirical association between stock market development and long-term economic growth?

Task 4 (9 pts)

Provide definitions for the following terms in both English and Spanish.

- arbitrageur
- capital gains
- derivatives
- diversified portfolio
- dividends
- going long (on stocks)
- Initial Public Offering (IPO)
- Price to Earnings Ratio (PER)
- Standard & Poor's 500
- blue chip stocks
- penny stocks
- stockholder revolt

Task 5 (6 pts)