Quiz 05 for Sept 12

Started: Sep 8 at 9:56pm

Quiz Instructions

Complete this quiz by 11:00 a.m. on Monday September 12.

Ques	tion 1		1 pts
where subscidate 2 $\hat{\pi}_{21} =$ certain certain	a variable's first subscript refers to the state at). Suppose $\pi_{11}=0.8$, 0.48 , and $\hat{\pi}_{22}=\hat{\pi}_{23}$ ty at date 1 equals 0.96	e example in Note09 Multiperiod Co ipt refers to the date (t =1 or 2) and that date (s =2 states at date 1 and $\pi_{21}=0.64$, and $\pi_{22}=\pi_{23}=0.00$ = 0.2 . The initial price of a security that the initial price of the stochasting π_{11} is the value of the stochasting.	its second I s =4 states at 1.16 . $\hat{\pi}_{11}=0.6$, y that pays 1 with hat pays 1 with
State			

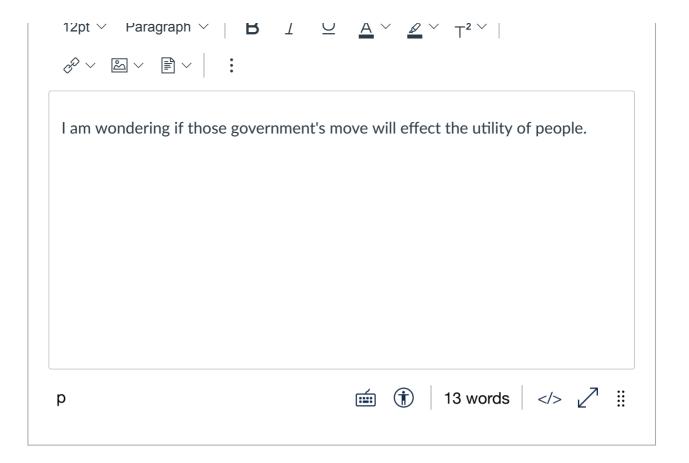
Question 2	1 pts
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Assume the same information in the previous question. Let c_{ts} be the cashflow that a particular security pays at date t in state s, and suppose that these cashflows in the 6 states are $c_{11} = 3$, $c_{12} = 2$, $c_{21} = 4$, $c_{22} = 2$, $c_{23} = 2$, and $c_{24} = 1$. What is the noarbitrage initial price of this security?

State your answer to 2 decimal places, e.g., 4.27.

5.08

Question 3	1 pts
Suppose that residents of a particular country begin making making transactions using private cryptocurrencies, rather than the (fi by their country's central bank. If the central bank does not che policy, residents' increased use of cryptocurrencies	at) currency issued
 will have an inflationary effect on the economy. 	
o will have no effect on the economy.	
 will increase the demand for high powered money. 	
will have a contractionary effect on the economy.	
Ougation 4	1 pts
Question 4	
If the Federal Reserve pays higher interest on bank reserves, is to	·
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If the Federal Reserve pays higher interest on bank reserves, is to O put upward pressure on the federal funds rate.	·
If the Federal Reserve pays higher interest on bank reserves, is to output upward pressure on the federal funds rate. decrease the supply of high powered money.	·
If the Federal Reserve pays higher interest on bank reserves, is to put upward pressure on the federal funds rate. decrease the supply of high powered money. have an expansionary (inflationary) effect on the economy.	·
If the Federal Reserve pays higher interest on bank reserves, is to put upward pressure on the federal funds rate. decrease the supply of high powered money. have an expansionary (inflationary) effect on the economy. reduce the yields on Treasury securities.	its immediate effect
If the Federal Reserve pays higher interest on bank reserves, is to put upward pressure on the federal funds rate. decrease the supply of high powered money. have an expansionary (inflationary) effect on the economy. reduce the yields on Treasury securities. Question 5 Ask one or more questions or make one or more comments or	its immediate effect



Quiz saved at 6:11pm

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