

- _____ 1. According to the article by Portes, the underlying cause of the global financial crisis is:
- The creation of overly complex financial derivatives.
 - Global imbalances.***
 - Implicit promises of government bailouts of financial institutions in the event of bad outcomes.
 - Poor oversight of managers by stockholders of financial institutions.
- _____ 2. Which of the following statements is most accurate?
- In the past decade, Asian saving has been low and Asian countries have run current account surpluses.
 - In the past decade, Asian saving has been low and Asian countries have run current account deficits.
 - In the past decade, Asian saving has been high and Asian countries have run current account deficits.
 - In the past decade, Asian saving has been high and Asian countries have run current account surpluses.***
- _____ 3. In the period from 2000 to 2007, we mostly saw:
- saving flow “uphill” from fast-growing emerging markets to the advanced economies.***
 - saving flow “downhill” from high-income countries to emerging markets.
 - international capital flows have virtually disappeared.
 - flows of saving from emerging economies just about match flows into emerging economies.
- _____ 4. An emerging economy would have a net “long” position in equities, for example, if the value of its holdings of foreign equities exceeded the value of foreign holdings of that country’s equities. If the positions were reversed, it would have a net “short” position in equities. Which of these most accurately describes the net external position of the “Emerging G17” – a group of major emerging economies?
- They had net short positions in bonds and equities.
 - They had net long positions in bonds and equities.
 - They held net short positions in equities and net long positions in bonds.***
 - They held net short positions in bonds and net long positions in equities.
- _____ 5. Suppose Indonesia has borrowed and is a net debtor in dollar-denominated debt. Holding all else constant, a depreciation of the Indonesian rupiah will
- increase the rupiah price of dollars and increase Indonesia’s wealth.
 - increase the rupiah price of dollars and reduce Indonesia’s wealth.***
 - reduce the rupiah price of dollars and reduce Indonesia’s wealth.
 - reduce the rupiah price of dollars and increase Indonesia’s wealth.

- _____6. Deflation refers to:
- a. rising inflation
 - b. rising prices
 - c. *falling prices***
 - d. falling inflation
- _____7. In the event of deflation
- a. *the real interest rate exceeds the nominal interest rate.***
 - b. the real interest rate is less than the nominal interest rate.
 - c. the real interest rate is zero.
 - d. the real interest rate is negative.
- _____8. Which of the following is NOT proposed as a short-run policy to stimulate aggregate demand when nominal interest rates are zero:
- a. “quantitative easing”
 - b. increased government spending
 - c. *reduction of government debt***
 - d. lower taxes
- _____9. Which country had a zero-interest rate policy from February 1999 – August 2000 and again from March 2001 – June 2006?
- a. The United States
 - b. Germany
 - c. The United Kingdom
 - d. *Japan***