

Quiz 10

1. Using the Mundell-Fleming model and under the floating exchange rate regime, a decrease in money supply will:
 - A) Raise the interest rate.
 - B) The domestic currency depreciates.
 - C) Increase the government spending.
 - D) The domestic currency appreciates.

Answer: D

2. Using the Mundell-Fleming model and under the fixed exchange rate regime, an increase in government purchase will:
 - A) Raise interest rate.
 - B) Increase money supply.
 - C) Increase net export.
 - D) Output will not change.

Answer: B

3. Average propensity to consume
 - A) Increases when a person's income increases.
 - B) Decreases when a person's income increases.
 - C) Decreases when a person becomes older.
 - D) Increases when a person becomes older.

Answer: B