

## Quiz 9

1. It costs \$3.5 in the US for a Big Mac, but 12 Yuan in China, and 40 Kroner in Norway. The nominal exchange is 7Yuan/US\$ and 7 Kroner/US \$. Which one of the following statement is correct:
- A) It is more expensive to get Big Mac in both China and Norway.
  - B) It is more expensive to get Big Mac in China but less expensive in Norway
  - C) It is more expensive to get Big Mac in Norway but less expensive in China
  - D) It is less expensive to get Big Mac in both China and Norway.

Answer: C

2. In a floating exchange rate regime, if United States increase tariff of its imports, what would likely happen:
- A) US would import less and export more.
  - B) Both import and export would decrease.
  - C) Both import and export would increase.
  - D) Both import and export would remain the same.

Answer: B

3. One of the advantages of using the Big Mac prices as a way to understand relative prices among countries is:
- A) People like to eat Big Mac.
  - B) Big Mac is an important good to be exported from the US.
  - C) Big Mac has name recognition around the world.
  - D) Big Mac is very similar across countries.

Answer: D