

27 What occurs in a monetary union?

- A** Countries have the same currency.
- B** Countries use the same fiscal policy.
- C** Countries have the same domestic rates of sales tax.
- D** The government budget in each country is balanced.

28 What is the main role of the World Bank?

- A** to ensure that exchange rate systems are working efficiently
- B** to help countries enter international markets where trade barriers exist
- C** to offer short-term assistance to countries with balance of payments problems
- D** to provide low-interest loans to developing countries for infrastructure projects

30 As a member of the European Union, Greece must trade at the same exchange rate, tied to the euro, as stronger economies such as Germany. Greece has a persistent balance of payments deficit.

How would changing to a floating exchange rate help Greece?

- A** Exchange rates will be less volatile which encourages international investment.
- B** Its currency should be less open to attacks by international speculators.
- C** Its currency would be allowed to depreciate which will make its exports more competitive.
- D** The value of its exports and imports will automatically balance.

25 What is a trade-weighted exchange rate?

- A** the price of one currency against a basket of other currencies
- B** the price of one currency in terms of another
- C** the price of one currency in terms of its real purchasing power
- D** the price of one currency being determined by state intervention

27 What is a protectionist policy a government may use to reduce the deficit on the balance of payments of the current account?

- A** revaluation of the exchange rate
- B** increase in the rate of income tax
- C** increase in the rate of interest
- D** introduction of import quotas

- 20** Which macroeconomic policy is most likely to be used as a long-run means of reducing inflationary pressures?
- A** exchange rate policy
 - B** fiscal policy
 - C** supply-side policy
 - D** monetary policy
- 25** A central bank officially lowers the price of its currency relative to an agreed rate in terms of other currencies.

What type of central bank policy is this?

- A** appreciation
- B** depreciation
- C** devaluation
- D** revaluation