Starter Quiz ·

AP Macroeconomics Name: _____ Score: _____

1. The balance of payments records:
   - ☐ only exports
   - ☐ only the government budget
   - ☐ all money flowing into and out of a country
   - ☐ the money supply
2. An exchange rate is:
   - ☐ the price of one currency in terms of another
   - ☐ the price of gold
   - ☐ the inflation rate
   - ☐ the interest rate on savings
3. Currencies are bought and sold in the foreign _____ market.

   _____
4. If a country raises its interest rates (others steady), its currency tends to:
   - ☐ stay exactly fixed
   - ☐ depreciate, as investors flee
   - ☐ appreciate, as foreign investors buy it to hold its bonds
   - ☐ disappear
5. Net exports equal exports minus _____.

   _____
6. International capital flows are driven mainly by differences in:
   - ☐ real interest rates between countries
   - ☐ the price of gold
   - ☐ the weather
   - ☐ population size
7. Importing more goods than you export gives a current account _____.

   _____

   _____
9. Demand for US dollars comes mainly from:
   - ☐ falling US interest rates
   - ☐ Americans buying foreign goods
   - ☐ the US government printing money
   - ☐ foreigners buying US exports and assets
10. Contractionary monetary policy, by raising interest rates, tends to weaken a currency.

    ☐ True ☐ False

1. **all money flowing into and out of a country**

   It is the full record of cross-border money flows.

2. **the price of one currency in terms of another**

   It says how much of one currency buys another.

3. **exchange**

   The foreign exchange (forex) market.

4. **appreciate, as foreign investors buy it to hold its bonds**

   Higher bond returns attract foreign money, raising currency demand.

5. **imports**

   NX = exports − imports.

6. **real interest rates between countries**

   Money moves toward the highest real return.

7. **deficit**

   More money leaves for imports than arrives from exports.

8. **appreciated**

   More foreign currency per unit = appreciation.

9. **foreigners buying US exports and assets**

   To buy US goods or assets, foreigners need dollars first.

10. **False**

    False. Higher interest rates attract foreign financial capital, which must buy the currency, so it tends to appreciate.