

Quiz 2 — Small Open Economy

Questions	Answers
1. In a large open economy, if G rises:	☐ The saving (S) curve shifts right in the net capital flows market. ☐ The S curve shifts right in the loanable funds market. ☐ The S curve shifts left in the net capital flows market. ☐ The S curve shifts left in the loanable funds market. ☐ None of the above.
2. Inflation explains:	☐ The level of the real exchange rate. ☐ The level of the nominal exchange rate. ☐ The percentage change in the real exchange rate. ☐ The percentage change in the nominal exchange rate.
3. What is the difference between a small open economy and a large open economy?	☐ The small one has a fixed exchange rate; the large one has a variable interest rate. ☐ The small one has a variable exchange rate; the large one has a variable interest rate. ☐ The small one has a fixed exchange rate; the large one has a fixed interest rate.
4. Why must three graphs be studied in a large open economy, whereas only one is studied directly in a small open economy?	☐ Because the loanable funds market clears in a large open economy. ☐ Because the money market clears in a large open economy. ☐ Because the loanable funds market clears in a small open economy. ☐ Because the money market clears in a small open economy.