Chapter 3 MC

1. The price of money today in terms of money next year is \_\_\_\_\_\_\_\_\_\_\_?

* one plus the real interest rate
* **one plus the nominal interest rate**
* one divided by one plus the real interest rate
* one divided by one plus the nominal interest rate

1. The price of money next year in terms of money this year is \_\_\_\_\_\_\_\_\_\_\_?

* one plus the real interest rate
* one plus the nominal interest rate
* one divided by one plus the real interest rate
* **one divided by one plus the nominal interest rate**

1. The price of goods today in terms of goods next year is \_\_\_\_\_\_\_\_\_\_\_?

* **one plus the real interest rate**
* one plus the nominal interest rate
* one divided by one plus the real interest rate
* one divided by one plus the nominal interest rate

1. The price of goods next year in terms of goods today is \_\_\_\_\_\_\_\_\_\_\_?

* one plus the real interest rate
* one plus the nominal interest rate
* **one divided by one plus the real interest rate**
* one divided by one plus the nominal interest rate

1. Which of the following has a positive effect on investment?

* an increase in the nominal interest rate
* a higher capital stock
* an expected decline in demand for goods
* **an increase in expected inflation with unchanged nominal interest rate**

1. The difference between investment and net investment is \_\_\_\_\_\_\_\_\_\_\_?

* inflation
* interest payments
* depreciation
* changes in the value of machines and buildings