

LINGUA INGLESE
Modulo Avanzato I
Friedman
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NOME
CORSO DI LAUREA
MATRICOLA

Read the article DRASTIC TIMES (*The Economist*, Economics Focus, Jan. 8, 2009) and answer the following questions.

1. (3) Explain the joke (or paradox) Alan Binder tells in paragraph 1.
The stock market went up based on the hope that the AEA conference would solve the economy's problems.
2. (.5) What is the meaning of “paper” in paragraph 2?
a. a surface to write on **b. a research document** c. a journal with news
3. (2) What is a “financial meltdown” (paragraph 2)?
An extreme financial collapse.
4. (1.5) Indicate whether the following statements about paragraph 3 are True or False.
a. Rogoff and Reinhart's analysis examined only recent banking crises. **F**
b. Seven emerging-market crises were excluded from this analysis. **F**
c. Banking crises can be found in rich countries almost as easily as in developing countries. **T**
5. (.5) What is the meaning of “qualms” in paragraph 3?
a. fear of consequences **b. doubts about one's actions** c. strong convictions
6. (3) Name three of the characteristics of economic downturns that follow a financial crisis, as mentioned in paragraph 4.
i. GDP falls more than 9% on average
ii. GDP takes about two years to reach bottom.
iii. Unemployment lasts longer and increases on average by 7%.
7. (1) Which of the following statements about paragraph 4 is correct? (choose one)
a. Unemployment rates in the USA should start improving in the next 5 years.
b. The housing bust will be resolved more quickly than the unemployment problem.
c. Equities lose greater value in a shorter period than house prices.
8. (1) What is a “gauge” (paragraph 4)?
measurement
9. (2) What does it mean to “bail out” a bank, as in paragraph 5?
to save it from financial disaster
10. (2) What do Reinhart and Rogoff think does the most harm to public finances, in paragraph 5?
The collapse in tax revenue and a big increase in public spending.

11. (.5) What is the definition of “shortcoming” (paragraph 6)?
a. insufficient **b. imperfection** c. indecision
12. (1.5) State whether the following regarding paragraph 6 are True or False.
a. In the past, the falls in home prices and equity prices after crises have been quite similar. **T**
b. GDP and unemployment levels after crises have been quite similar. **F**
c. The Reinhart-Rogoff numbers will probably be a more reliable guideline through the crisis than the standard ones. **T**
13. (1) Which of the following statements about paragraph 7 is correct? (choose one)
a. There was not much agreement with Mr. Rogoff's conclusions at the AEA conference.
b. A separate conference panel came to less pessimistic conclusions.
c. The outlook of the IMF's chief economist was slightly more positive than the others.
14. (3) What are the three possible forms mentioned in paragraph 8 that government fiscal stimulus might take?
tax rebates; direct government purchases; federally financed reduction in some sales taxes
15. (1.5) What does “drawback” mean (paragraph 8)?
shortcoming, disadvantage
16. (1) According to Robert Hall (paragraph 8), which form of fiscal stimulus might be the best?
A federally subsidized reduction in some sales taxes.
17. (.5) What does “to boost” (paragraph 9) mean?
a. to raise b. to assist c. to enforce
18. (2) How does John Taylor dissent from the other economists in paragraph 9?
He doesn't believe that fiscal policy helps lift the economy much, considering past experiences.
19. (1) Indicate whether the following regarding paragraph 9 are True or False:
a. 2008 tax rebates helped jump-start the U.S. Economy. **F**
b. Mr. Taylor believes that many economists are using the wrong models to justify tax rebates. **T**
20. (1.5) According to paragraph 10, why are many skeptical economists “reluctant to rule out any options”?
Because the economic crisis is so profound that they would try anything to try to fix it.
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EXTRA CREDIT (2 points)

Explain the “medical” metaphor in paragraph 10.

Mr. Rogoff compares the situation to a terminally ill patient who is offered a risky treatment that may cure the disease but with very bad long-term side-effects.