

Question 1

A change in the public's desire to hold money will

- A) shift the IS curve.
- B) change the slope of the IS curve.
- C) shift the LM curve.
- D) change the slope and position of the LM curve.

Answer: <https://biology-forums.com/index.php?topic=705491>

Question 2

When interest rate rise consumers will

- A) compare loan payments with the desirability of goods in the future and increase consumption.
- B) compare loan payments with the desirability of goods today and increase consumption.
- C) wait to borrow funds when interest rates fall.
- D) none of above.

Answer: <https://biology-forums.com/index.php?topic=705415>

Question 3

A \$1 increase in high-powered money raises the quantity of deposits until

- A) all of that increase in high-powered money is held as required reserves.
- B) required reserves fall back down to zero.
- C) required reserves rise back up to zero.
- D) deposits rise by \$1.
- E) GDP rises by \$1 times the income-determination multiplier.

Answer: <https://biology-forums.com/index.php?topic=706642>

Question 4

Economists who support a monetary rule as opposed to an activist monetary policy believe that the effectiveness lag in monetary policy is

- A) short and variable, policy changes affect AD quickly and are predictable.
- B) zero, policy changes have an immediate effect on expenditures.
- C) long and variable, policy changes affect AD slowly over time and are unpredictable.
- D) long, but predictable.

Answer: <https://biology-forums.com/index.php?topic=706788>

Question 5

The inauguration of a new President often increases the degree of optimism in business firms and households, causing A_p to

- A) rise and IS to shift leftward.
- B) fall and IS to shift leftward.
- C) fall and IS to increase.
- D) rise and IS to shift rightward.

Answer: <https://biology-forums.com/index.php?topic=705427>

Question 6

There is some evidence that demographic changes in the composition of the workforce are _____ the growth rate of labor quality, and thus _____ the growth rate of output per labor hour.

- A) raising, decreasing
- B) raising, increasing
- C) lowering, decreasing
- D) lowering, increasing

Answer: <https://biology-forums.com/index.php?topic=706580>

Question 7

Classical economists believed that

- A) government intervention was necessary to stabilize the economy.
- B) movements away from the natural rate of output were only temporary.
- C) monetary policy was ineffective.
- D) monetary impotence would make fiscal policy necessary to bring the economy out of a depression.

Answer: <https://biology-forums.com/index.php?topic=706012>

Question 8

The European Monetary System

- A) led to resurgent inflation in the 1980s.
- B) gave a competitive trade advantage to countries with high inflation rates.
- C) required members to keep their exchange rates within a narrow band around the German currency.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=706113>

Question 9

According to Gordon, a major problem with Keynes' "rigid nominal wage" theory of the business cycle is

- A) a horizontal LM curve.
- B) it is not a market clearing theory.
- C) falling real wages are not countercyclical with business activity or Y.
- D) None of the above.

Answer: <https://biology-forums.com/index.php?topic=707212>

Question 10

Suppose that in producing a GDP of 3000, goods worth 200 go unsold and are unintentionally added to business inventories. These goods

- A) are not counted in total expenditure.
- B) are part of the investment component of expenditure.
- C) are nonetheless part of the consumption component of expenditure.
- D) are classified as net exports and are subtracted from total expenditures.

Answer: <https://biology-forums.com/index.php?topic=705294>

Question 11

In the short-run, the impact of an adverse supply shock is to

- A) reduce real GDP and increase the inflation rate if the growth of nominal GDP remains the same.
- B) reduce real GDP and leave the inflation rate unchanged if the growth of nominal GDP is reduced enough.
- C) maintain the same level of real GDP and increase the inflation rate if the growth of nominal GDP is increase enough.
- D) All of the above

Answer: <https://biology-forums.com/index.php?topic=706225>

Question 12

The more that firms in an economy believe that the demand for their goods is mainly influenced by the aggregate level of demand and not "local conditions," the _____ is the SAS curve and thus the _____ are cycles in real GDP.

- A) steeper, larger
- B) steeper, smaller
- C) flatter, larger
- D) flatter, smaller

Answer: <https://biology-forums.com/index.php?topic=707174>

Question 13

Which of the following is NOT included in M2?

- A) savings deposits and money market deposit accounts
- B) government savings bonds held by the public
- C) money-market deposit accounts and overnight repurchase agreements
- D) overnight repurchase agreements and savings deposits

Answer: <https://biology-forums.com/index.php?topic=706710>

Question 14

Economist Milton Friedman's theory of money demand is based on the supposition that money has a very _____ range of substitutes, giving monetary policy a _____ effect on aggregate demand.

- A) wide, strong
- B) wide, weak
- C) narrow, strong
- D) narrow, weak

Answer: <https://biology-forums.com/index.php?topic=706718>

Question 15

The flaw of the Real Business Cycle model is that it

- A) assumes away output fluctuations.
- B) assumes complete wage rigidity.
- C) assumes unrealistic fooling of workers.
- D) requires procyclical wage movements and continuous labor market equilibrium.

Answer: <https://biology-forums.com/index.php?topic=707150>

Question 16

Suppose the demand for money becomes less sensitive to changes in the interest rate. In moving along an LM curve, an increase in income must be accompanied by a _____ change in the interest rate than before, meaning that the LM curve has become _____.

- A) greater, steeper
- B) greater, flatter
- C) smaller, steeper
- D) smaller, flatter

Answer: <https://biology-forums.com/index.php?topic=705487>

Question 17

A person is calculating his permanent income by adaptive expectations. Last year's permanent income was 38,000, this year's actual income is 44,000, and $j = 0.25$. This year his permanent income is

- A) 39,500.
- B) 42,500.
- C) 59,000.
- D) 20,500

Answer: <https://biology-forums.com/index.php?topic=706923>

Question 18

With a falling price level, we move _____ along the demand for labor curve and thus trace _____ along the short-run aggregate supply curve.

- A) upward, upward
- B) upward, downward
- C) downward, upward
- D) downward, downward

Answer: <https://biology-forums.com/index.php?topic=706060>

Question 19

In a "liquidity trap,"

- A) the demand for money is infinite.
- B) the LM curve is a vertical line.
- C) the nominal interest rate on short-term assets is relatively high.
- D) money supply changes have a strong impact on interest rates.

Answer: <https://biology-forums.com/index.php?topic=705570>

Question 20

The return to government deficit after 2001 was due to

- A) drop in the government revenues.
- B) both revenue drop and expenditure rise.
- C) rise in the government expenditure.
- D) After 2001, U.S. government did not experience budget deficit.

Answer: <https://biology-forums.com/index.php?topic=705734>