

Question 1

Which of the following assumptions made in deriving the simple deposit multiplier is unrealistic?

- A) The Fed sets the required reserve ratio.
- B) The Fed is able to affect the level of reserves in the banking system.
- C) Banks loan out all of their excess reserves.
- D) The simple deposit multiplier is equal to 1 divided by the required reserve ratio.

Answer: <https://biology-forums.com/index.php?topic=1819809>

Question 2

The interest rate the Fed charges on loans to depository institutions is known as

- A) the federal funds rate.
- B) the Fed loan rate.
- C) the discount rate.
- D) the interbank clearing rate.

Answer: <https://biology-forums.com/index.php?topic=1819753>

Question 3

When economists state that money is neutral in the long run, they mean that in the long run

- A) fluctuations in the money supply are equally likely to lead to recessions as to expansions.
- B) changes in the money supply have the same impact on the rich as they do on the poor.
- C) the level of output is independent of the nominal money supply.
- D) the price level is independent of the nominal money supply.

Answer: <https://biology-forums.com/index.php?topic=1820182>

Question 4

Which of the following statements about the rate of return is NOT correct?

- A) The total rate of return may be greater or less than the current yield.
- B) The total rate of return may be greater or less than the rate of capital gain.
- C) The total rate of return may never be negative.
- D) The total rate of return is greater than the coupon, holding everything else constant.

Answer: <https://biology-forums.com/index.php?topic=1818458>

Question 5

When a bank issues a checkable deposit and loans the funds out to a business, it has transformed

- A) a financial asset for a saver into a liability for a borrower.
- B) a financial liability for a saver into a financial asset for a borrower.
- C) a short-term liability to a borrower into a long-term asset to a saver.
- D) one liability into another liability.

Answer: <https://biology-forums.com/index.php?topic=1819316>

Question 6

Which of the following statements regarding member banks is TRUE?

- A) A majority of banks are part of the Federal Reserve System, and they hold a majority of all bank deposits.
- B) A minority of banks are part of the Federal Reserve System, but they hold a majority of all bank deposits.
- C) A majority of banks are part of the Federal Reserve System, but they hold a minority of all bank deposits.
- D) A minority of banks are part of the Federal Reserve System, and they hold a minority of all bank deposits.

Answer: <https://biology-forums.com/index.php?topic=1819676>

Question 7

At the 1976 IMF conference in Jamaica

- A) the United States reaffirmed its commitment to buy and sell gold at a fixed price.
- B) currencies were formally allowed to float.
- C) the major countries of the world agreed to continue a system of fixed exchange rates.
- D) the gold standard was reestablished.

Answer: <https://biology-forums.com/index.php?topic=1820075>

Question 8

Suppose that savers become much more willing to purchase a certain type of municipal bond. The result will be that the bond's price will

- A) fall relative to the price of U.S. Treasury securities but rise relative to the price of corporate bonds.
- B) rise relative to the price of U.S. Treasury securities but fall relative to the price of corporate bonds.
- C) rise relative to the prices of U.S. Treasury securities and corporate bonds.
- D) fall relative to the prices of U.S. Treasury securities and corporate bonds.

Answer: <https://biology-forums.com/index.php?topic=1818651>

Question 9

In the long run, one-time increases or decreases in the nominal money supply affect

- A) real output, but not the price level.
- B) the price level, but not real output.
- C) both real output and the price level.
- D) neither real output nor the price level.

Answer: <https://biology-forums.com/index.php?topic=1820184>

Question 10

The best measure economists have of how successful a country is in providing a high standard of living to its residents is

- A) net worth.
- B) nominal GDP.
- C) real GDP per capita.
- D) national income.

Answer: <https://biology-forums.com/index.php?topic=1819135>

Question 11

The most common type of simple loan is a(an)

- A) automobile loan from a bank.
- B) mortgage loan from a bank.
- C) commercial loan from a bank.
- D) corporate bond.

Answer: <https://biology-forums.com/index.php?topic=1818397>

Question 12

An open market purchase

- A) decreases the price of Treasury securities and also decreases their yield.
- B) increases the price of Treasury securities and decreases their yield.
- C) increases the price of Treasury securities and also increases their yield.
- D) decreases the price of Treasury securities and increases their yield.

Answer: <https://biology-forums.com/index.php?topic=1819900>

Question 13

During the Financial Crisis of 2007-2009, banks significantly increased their holdings of excess reserves. What impact did this have on the money multiplier? How would the Fed change the monetary base if it wanted to maintain a stable money supply?

Answer: <https://biology-forums.com/index.php?topic=1819826>

Question 14

In 2006, the Bank of Japan

- A) began to scale back its expansionary policy, only to return to an expansionary policy following the financial crisis.
- B) began to implement a more aggressive expansionary policy, only to scale it back following the financial crisis.
- C) began to implement a more aggressive contractionary policy, and pushed it even harder following the financial crisis.
- D) began to scale back its contractionary policy, only to return to a contractionary policy following the financial crisis.

Answer: <https://biology-forums.com/index.php?topic=1819981>

Question 15

Under the efficient markets hypothesis, what would be the price per share of a company whose current dividend is \$10.00 and whose dividends are expected to grow by 3% per year (assume the risk-adjusted interest rate is 10%)?

- A) \$74.62
- B) \$79.23
- C) \$142.86
- D) \$147.14

Answer: <https://biology-forums.com/index.php?topic=1818802>

Question 16

The small-firm effect

- A) shows that investments in the stocks of small firms would have earned a below-normal return during the period beginning in the mid-1920s.
- B) may be the result of the low liquidity and high information costs of small-firm stock.
- C) was stronger during the 1980s than in previous decades.
- D) is the tendency for stocks of large firms to outperform those of small firms.

Answer: <https://biology-forums.com/index.php?topic=1818833>

Question 17

Which of the following is NOT a popular stock market index?

- A) Dow Jones Industrial Average
- B) NASDAQ
- C) S&P 500
- D) Moody's Market Index

Answer: <https://biology-forums.com/index.php?topic=1818745>

Question 18

An insurance premium is a

- A) payment made by an insurance company to a policyholder after the occurrence of an insurable event.
- B) payment made by an insurance company to a policyholder following a period in which the policyholder has filed no claims against the company.
- C) fee paid by policyholders to insurance companies as payment for coverage.
- D) fee paid by policyholders to insurance companies in exchange for special considerations, such as a particularly large policy.

Answer: <https://biology-forums.com/index.php?topic=1819473>

Question 19

When did the Federal Reserve Act become law?

- A) 1836
- B) 1913
- C) 1936
- D) 1951

Answer: <https://biology-forums.com/index.php?topic=1819629>

Question 20

All of the following describe the market for credit default swaps on mortgage-backed securities in the mid-2000s EXCEPT

- A) an increasing number of buyers were speculators.
- B) AIG apparently underestimated the risk involved with mortgage-backed securities.
- C) the volume of credit default swaps was too low making it difficult to assess their value.
- D) payments by buyers were too low relative to risk.

Answer: <https://biology-forums.com/index.php?topic=1818995>

Question 21

Losses in which holding resulted in BNP Paribas not allowing investors to redeem shares from three of its investment funds?

- A) mortgage-backed securities
- B) Lehman Brothers
- C) Bear Stearns
- D) real estate investment trusts

Answer: <https://biology-forums.com/index.php?topic=1819589>

Question 22

An expansionary monetary policy that successfully counteracts a recession has the side effect of

- A) lower investment spending than if no action had been taken.
- B) a larger government deficit than if no action had been taken.
- C) a higher price level than if no action had been taken.
- D) lower output than if no action had been taken.

Answer: <https://biology-forums.com/index.php?topic=1820197>

Question 23

What are the differences between common stock and preferred stock?

Answer: <https://biology-forums.com/index.php?topic=1818757>

Question 24

Members of the Board of Governors

- A) must resign when the President who has appointed them leaves office.
- B) may serve no more than three consecutive four-year terms.
- C) serve for life or good behavior.
- D) serve one nonrenewable fourteen-year term.

Answer: <https://biology-forums.com/index.php?topic=1819657>

Question 25

Which of the following statements is correct?

- A) Open market purchases are expansionary and open market sales are contractionary.
- B) Open market purchases are contractionary and open market sales are expansionary.
- C) Both open market purchases and open market sales are expansionary.
- D) Both open market purchases and open market sales are contractionary.

Answer: <https://biology-forums.com/index.php?topic=1819903>

Question 26

As of 2015, which of the following was the largest stock exchange in terms of total value traded?

- A) New York Stock Exchange
- B) London Stock Exchange
- C) Shanghai Stock Exchange
- D) Tokyo Stock Exchange

Answer: <https://biology-forums.com/index.php?topic=1818748>

Question 27

Which of the following will lead to a higher interest rate on a loan?

- A) lower inflation
- B) lower opportunity cost
- C) increased perceived risk of default
- D) reduced likelihood of borrower not paying the loan

Answer: <https://biology-forums.com/index.php?topic=1818374>

Question 28

Checks are

- A) not acceptable for settling transactions in most industrialized countries.
- B) less important than currency as a means of settling transactions.
- C) promises to pay, on demand, money deposited with a financial institution.
- D) promises to pay, on demand, coins minted from precious metals.

Answer: <https://biology-forums.com/index.php?topic=1818315>

Question 29

What is quantitative easing? What was the Fed's objective in implementing quantitative easing?

Answer: <https://biology-forums.com/index.php?topic=1819951>

Question 30

The demand for U.S. dollars represents

- A) the demand for U.S. goods and financial assets by households and firms outside the United States.
- B) the demand for foreign goods and financial assets by households and firms within the United States.
- C) the demand for U.S. goods and financial assets by households and firms within the United States.
- D) the willingness of households and firms that own dollars to exchange them for foreign currency.

Answer: <https://biology-forums.com/index.php?topic=1819066>

Question 31

Suppose the Federal Reserve reduces interest rates while interest rates in Europe do not change. Make use of a graph of the foreign exchange market to show how this will affect the value of the dollar.

Answer: <https://biology-forums.com/index.php?topic=1819122>

Question 32

The process by which investment banks guarantee a certain price to a firm issuing stocks or bonds is known as

- A) underwriting.
- B) securitization.
- C) proprietary trading.
- D) peer-to-peer lending.

Answer: <https://biology-forums.com/index.php?topic=1818223>

Question 33

Ordinary (non-securitized) loans cannot be resold after they have been granted by a bank or another lender. Therefore, these loans are

- A) financial assets but not financial securities.
- B) financial securities but not financial assets.
- C) both financial assets and financial securities.
- D) neither financial assets nor financial securities.

Answer: <https://biology-forums.com/index.php?topic=1818227>

Question 34

On a bank's balance sheet, assets are

- A) the uses of acquired funds.
- B) the sources of acquired funds.
- C) those items owed by the bank to depositors and others.
- D) by definition equal to the bank's liabilities.

Answer: <https://biology-forums.com/index.php?topic=1819254>

Question 35

Which of the following rules affected hedge funds as a result of the Dodd-Frank Act of 2010?

- A) Hedge funds have to make detailed disclosure of their asset holdings.
- B) Large hedge funds must register with the SEC.
- C) Investors are allowed to make withdrawals after the first week.
- D) Carried interest is taxed as ordinary income.

Answer: <https://biology-forums.com/index.php?topic=1819468>

Question 36

The theory of purchasing power parity assumes that

- A) movements in nominal exchange rates are the result of movements in relative price levels.
- B) real exchange rates are volatile.
- C) movements in nominal exchange rates are the result of movements in real exchange rates.
- D) inflation rates are roughly the same in most countries.

Answer: <https://biology-forums.com/index.php?topic=1819044>

Question 37

How does the use of adjustable-rate mortgages affect interest-rate risk?

- A) It reduces the interest-rate risk of lenders.
- B) It reduces the interest-rate risk of borrowers.
- C) It reduces the interest-rate risk of both lenders and borrowers.
- D) It increases the interest-rate risk of both lenders and borrowers.

Answer: <https://biology-forums.com/index.php?topic=1819363>

Question 38

When investment banks buy or sell securities on their own account, it's called

- A) financial engineering.
- B) proprietary trading.
- C) underwriting.
- D) factoring.

Answer: <https://biology-forums.com/index.php?topic=1819417>

Question 39

Discount loans intended for banks that are NOT financially healthy are called

- A) primary credit.
- B) secondary credit.
- C) seasonal credit.
- D) repo loans.

Answer: <https://biology-forums.com/index.php?topic=1819925>

Question 40

When economists say consumers, firms, or investors are behaving rationally, they mean

- A) they recognize that it is not worthwhile to invest in risky stocks.
- B) they are taking actions to reach their goals, given the available information.
- C) they have significant investment expertise.
- D) they are consistently able to avoid poor performing stocks.

Answer: <https://biology-forums.com/index.php?topic=1818852>

Question 41

The supply curve for bonds would be shifted to the right by

- A) a decrease in expected profitability.
- B) a decrease in the corporate tax on profits.
- C) a decrease in tax subsidies for investment.
- D) a decrease in government borrowing.

Answer: <https://biology-forums.com/index.php?topic=1818551>

Question 42

Which of the following is an example of fiat money?

- A) a cowry shell used as money on a South Pacific island
- B) a gold coin used as money in nineteenth century England
- C) a Federal Reserve Note used as money in the twenty-first century United States
- D) a pound of salt used as money in medieval France

Answer: <https://biology-forums.com/index.php?topic=1818314>

Question 43

Economists define liquidity as

- A) the difference between the return on the asset and the return on a long-term U.S. Treasury bond.
- B) the fraction the asset makes up of an investor's portfolio.
- C) the ease with which an asset can be exchanged for money.
- D) the difference between the total demand for an asset and the total supply of the asset.

Answer: <https://biology-forums.com/index.php?topic=1818188>

Question 44

Suppose Exxon-Mobil announces that its profits in the third quarter of 2016 were \$40 billion. This will cause the price of Exxon-Mobil stock to

- A) rise.
- B) fall.
- C) remain unchanged.
- D) rise, fall, or remain unchanged depending on the expectations of market participants before the announcement.

Answer: <https://biology-forums.com/index.php?topic=1818813>

Question 45

How long does it take prices of securities to adjust so as to eliminate arbitrage profits?

- A) seconds
- B) hours
- C) days
- D) months

Answer: <https://biology-forums.com/index.php?topic=1818452>

Question 46

Which of the following is NOT an accurate description of open market operations prior to 2008?

- A) It was used to affect the market for bank reserves.
- B) It was used to control the federal funds rate.
- C) It involved buying and selling short-term Treasury securities.
- D) It involved buying and selling long-term securities.

Answer: <https://biology-forums.com/index.php?topic=1819932>

Question 47

What are federally chartered banks called?

- A) federal banks
- B) Federal Reserve banks
- C) national banks
- D) central banks

Answer: <https://biology-forums.com/index.php?topic=1819383>

Question 48

Which of the following is considered a default-risk-free instrument?

- A) a three-month commercial paper issued by GE
- B) a share of stock issued by Google
- C) a three-month Treasury bill
- D) a ten-year bond issued by Intel

Answer: <https://biology-forums.com/index.php?topic=1818633>

Question 49

Describe the temporary lending facilities that the Fed set up during the Financial Crisis of 2007-2009.

Answer: <https://biology-forums.com/index.php?topic=1819952>

Question 50

How can a country with a fixed nominal exchange rate, such as Greece, experience a lower real exchange rate?

- A) by experiencing higher inflation than its partners
- B) by experiencing deflation if its partners have low inflation rates
- C) by limiting the growth of productivity
- D) by increasing wages at a faster rate than inflation

Answer: <https://biology-forums.com/index.php?topic=1820095>

Question 51

A shortcoming of swaps that has led to the domination of the swaps market by large firms and financial institutions is the

- A) lack of privacy.
- B) need to assess creditworthiness.
- C) desire for more flexibility.
- D) limited size of the market.

Answer: <https://biology-forums.com/index.php?topic=1818989>

Question 52

Which of the following men has NOT served as Chairman of the Board of Governors?

- A) Milton Friedman
- B) Arthur Burns
- C) Paul Volcker
- D) Alan Greenspan

Answer: <https://biology-forums.com/index.php?topic=1819658>

Question 53

Which of the following is NOT true of the foreign-exchange market?

- A) It is an over-the-counter market.
- B) Most foreign-exchange trading takes place in London.
- C) The busiest trading time is morning east coast time, when markets in New York and London are both open.
- D) Trading volume worldwide exceeds \$1 trillion per day.

Answer: <https://biology-forums.com/index.php?topic=1819027>

Question 54

All of the following represent returns to savers EXCEPT

- A) dividends on stocks.
- B) fees on loans.
- C) interest on deposits.

D) coupon payments on bonds.

Answer: <https://biology-forums.com/index.php?topic=1818225>

Question 55

In what ways do futures contracts differ from forward contracts?

Answer: <https://biology-forums.com/index.php?topic=1818947>

Question 56

What are the five characteristics that make an asset suitable to be used as a medium of exchange?

Answer: <https://biology-forums.com/index.php?topic=1818310>

Question 57

Which of the following is NOT a key financial service provided by the financial system?

- A) risk sharing
- B) profitability
- C) liquidity
- D) information

Answer: <https://biology-forums.com/index.php?topic=1818186>

Question 58

Why are corporations more likely to raise funds externally by debt instead of equity?

- A) moral hazard is less of a problem with debt contracts
- B) transactions costs tend to be higher in the stock market than bond market
- C) to avoid paying dividends
- D) interest rates tend to be lower than dividend rates

Answer: <https://biology-forums.com/index.php?topic=1819246>

Question 59

What steps can a bank take to deal with a significant outflow of deposits?

Answer: <https://biology-forums.com/index.php?topic=1819372>

Question 60

What is the yield to maturity of a consol with a coupon of \$85 and a price of \$944.44?

- A) 5.56%
- B) 8.50%
- C) 9.00%
- D) Not enough information has been provided to determine the answer.

Answer: <https://biology-forums.com/index.php?topic=1818430>

Question 61

Which of the following increases the M2 multiplier?

- A) an increase in the required reserve ratio
- B) an increase in the currency-to-deposit ratio
- C) an increase in the nonbank public's preference for nontransaction accounts relative to checkable deposits
- D) a decrease in the nonbank public's preference for money market-type accounts relative to checkable deposits

Answer: <https://biology-forums.com/index.php?topic=1819835>

Question 62

The amount of funds the borrower receives from the lender with a simple loan is called the

- A) principal.
- B) equity.
- C) claim.
- D) collateral.

Answer: <https://biology-forums.com/index.php?topic=1818394>

Question 63

The wealth of most people declined as a result of the financial crisis of 2007-2009. As a result, which asset most likely became a larger portion of their portfolio?

- A) bonds

- B) stocks
- C) house
- D) checking account

Answer: <https://biology-forums.com/index.php?topic=1818505>

Question 64

The presence of information and transactions cost result in all of the following EXCEPT

- A) reduced efficiency of financial markets.
- B) higher returns for savers.
- C) some funds not being lent at all.
- D) borrowers need to pay more for funds.

Answer: <https://biology-forums.com/index.php?topic=1819146>

Question 65

When economists refer to the role of money as a standard of deferred payment, they mean that

- A) payments by checks are usually deferred until the checks clear the bank.
- B) money earns interest while loan payments are deferred.
- C) money provides a standard for payments that will occur in the future.
- D) money today is worth less than money tomorrow.

Answer: <https://biology-forums.com/index.php?topic=1818287>

Question 66

As the time of delivery in a futures contract gets closer

- A) the futures price gets closer to the spot price.
- B) the futures price generally rises further above the spot price.
- C) the futures price generally falls further below the spot price.
- D) the futures and spot prices remain the same as they were when the contract was first created.

Answer: <https://biology-forums.com/index.php?topic=1818907>

Question 67

Suppose you have a fixed-rate mortgage with a nominal interest rate of 6% and the expected annual inflation rate over the life of the mortgage is 2%.

What is the expected real interest rate?

- A) 3%
- B) 4%
- C) 8%
- D) 12%

Answer: <https://biology-forums.com/index.php?topic=1818476>

Question 68

Which of the following is NOT a primary center of foreign-exchange trading?

- A) New York
- B) London
- C) Munich
- D) Tokyo

Answer: <https://biology-forums.com/index.php?topic=1819031>

Question 69

If you deposit \$300 in your bank and the required reserve ratio is 10%, your bank will have

- A) an increase in required reserves of \$300.
- B) an increase in required reserves of \$270.
- C) an increase in required reserves of \$3,000.
- D) an increase in required reserves of \$30 and an increase in excess reserves of \$270.

Answer: <https://biology-forums.com/index.php?topic=1819319>

Question 70

How does adverse selection affect the willingness of corporations to issue stock?

Answer: <https://biology-forums.com/index.php?topic=1819234>

Question 71

Following the Brexit vote, the decline in value of the British pound relative to the U.S. dollar

- A) hurt U.S. firms that produced goods for export to Great Britain.
- B) helped British consumers of U.S. imports.
- C) hurt British firms that produced goods for export to the United States.
- D) hurt U.S. consumers of British exports.

Answer: <https://biology-forums.com/index.php?topic=1819023>

Question 72

If the government were to simultaneously cut the personal income tax and the corporate profits tax, the equilibrium interest rate

- A) would fall.
- B) would rise.
- C) would be unaffected.
- D) might either rise or fall.

Answer: <https://biology-forums.com/index.php?topic=1818549>

Question 73

A firm's net worth is equal to the value of its

- A) assets minus the value of its liabilities.
- B) liabilities minus the value of its assets.
- C) common stock minus the value of its outstanding bonds.
- D) outstanding bonds minus the value of its common stock.

Answer: <https://biology-forums.com/index.php?topic=1819185>

Question 74

If the annual interest rate is 9%, what would you expect to pay for a bond paying a lump sum of \$10,000 in two years?

- A) \$8,200
- B) \$8,417
- C) \$10,000
- D) \$11,881

Answer: <https://biology-forums.com/index.php?topic=1818383>

Question 75

Suppose that Congress passes an investment tax credit. The likely result will be

- A) the supply curve for bonds will shift to the right.
- B) the demand curve for bonds will shift to the left.
- C) the demand curve for bonds will shift to the right.
- D) the equilibrium interest rate will fall.

Answer: <https://biology-forums.com/index.php?topic=1818544>

Question 76

According to the liquidity premium theory, a steep yield curve may be an indicator of

- A) expectations of a significant increase in inflation.
- B) an upcoming recession.
- C) an economic slowdown.
- D) lower future short-term interest rates.

Answer: <https://biology-forums.com/index.php?topic=1818700>

Question 77

All of the following are possible consequences of noise traders EXCEPT

- A) increased volatility in the financial market.
- B) asset prices differing from fundamental values.
- C) herd behavior contributing to speculative bubbles.
- D) reduced volatility of asset prices.

Answer: <https://biology-forums.com/index.php?topic=1818851>

Question 78

Fracking involves

- A) extracting certain forms of energy from rock formations.
- B) deep water drilling for energy with minimal externalities.
- C) the reduction of menu costs, thus allowing prices to adjust more freely.

D) breaking down the production of goods, resulting in more competitive markets.

Answer: <https://biology-forums.com/index.php?topic=1820150>

Question 79

In Wall Street jargon, a "Bear Market" typically means

- A) stock prices have declined by at least 20%.
- B) stock prices have declined by at least 50%.
- C) stock prices have risen by at least 20%.
- D) stock prices have risen by at least 50%.

Answer: <https://biology-forums.com/index.php?topic=1818747>

Question 80

What are the various ways that financial intermediaries can take advantage of economies of scale?

Answer: <https://biology-forums.com/index.php?topic=1819223>

Question 81

Why did some economists and policymakers think ratings agencies had a conflict of interest leading up to the Financial Crisis of 2007-2009?

Answer: <https://biology-forums.com/index.php?topic=1818682>

Question 82

Suppose the required reserve ratio is 10%, the excess reserves-to-deposit ratio is 10%, and the currency-to-deposit ratio is 20%. If the Fed buys \$50 million worth of securities, what will happen to the money supply?

Answer: <https://biology-forums.com/index.php?topic=1819824>

Question 83

How does adverse selection affect the participation of small- and medium-sized firms in the stock market?

Answer: <https://biology-forums.com/index.php?topic=1819235>

Question 84

An open economy is one that

- A) has a large government sector.
- B) lends and borrows in the international capital market.
- C) produces mainly agricultural goods.
- D) produces mainly manufactured goods.

Answer: <https://biology-forums.com/index.php?topic=1818610>

Question 85

What was the purpose of the stress test administered by the Treasury in 2009?

- A) Evaluate potential losses of Fannie Mae and Freddie Mac.
- B) Assess the viability of AIG.
- C) Gauge how well the largest financial firms would fare if the recession deepened.
- D) Evaluate the solvency of the major investment banks.

Answer: <https://biology-forums.com/index.php?topic=1819587>

Question 86

Which type of analyst should generally outperform the market index according to the efficient markets hypothesis?

- A) technical analysts
- B) fundamental analysts
- C) those that follow the random walk
- D) none of the above

Answer: <https://biology-forums.com/index.php?topic=1818822>

Question 87

When expected inflation increases, investors _____ their demand for bonds because, for each nominal interest rate, the higher the inflation rate, the _____ the real interest rate investors will receive.

- A) increase; higher
- B) increase; lower
- C) reduce; higher
- D) reduce; lower

Answer: <https://biology-forums.com/index.php?topic=1818576>

Question 88

A bank that expects interest rates to fall will

- A) want the duration of its assets to be greater than the duration of its liabilities—a positive duration gap.
- B) want the duration of its assets to be less than the duration of its liabilities—a positive duration gap.
- C) want the duration of its assets to be greater than the duration of its liabilities—a negative duration gap.
- D) want the duration of its assets to be less than the duration of its liabilities—a negative duration gap.

Answer: <https://biology-forums.com/index.php?topic=1819362>

Question 89

Who was effectively in charge of the Fed during the early 1930s?

- A) Secretary of Treasury
- B) Head of the Federal Reserve Bank of New York
- C) Comptroller of the Currency
- D) no one

Answer: <https://biology-forums.com/index.php?topic=1819568>

Question 90

When an insurance company makes a direct loan to a firm, the loan is known as

- A) a private placement.
- B) a commercial paper.
- C) an account receivable.
- D) an account payable.

Answer: <https://biology-forums.com/index.php?topic=1819475>

Question 91

Since most banks have positive gaps and negative duration gaps, an increase in market interest rates will

- A) increase bank profits and increase bank capital.
- B) increase bank profits and decrease bank capital.
- C) decrease bank profits and increase bank capital.
- D) decrease bank profits and decrease bank capital.

Answer: <https://biology-forums.com/index.php?topic=1819364>

Question 92

Which of the following is NOT an important criterion for whether a good will be usable as a medium of exchange?

- A) The good must be of standardized quality.
- B) The good must be valuable relative to its weight.
- C) The good must have value even if it were not being used as money.
- D) The good must be durable so that value is not lost through product spoilage.

Answer: <https://biology-forums.com/index.php?topic=1818290>

Question 93

All else being equal, a decrease in U.S. interest rates relative to foreign interest rates causes the demand for dollars to _____ and the dollar will _____ relative to foreign currencies.

- A) increase; appreciate
- B) increase; depreciate
- C) decrease; appreciate
- D) decrease; depreciate

Answer: <https://biology-forums.com/index.php?topic=1819074>

Question 94

A key difference between small-denomination and large-denomination time deposits is that

- A) small-denomination time deposits pay no interest.
- B) large-denomination time deposits may be bought and sold on secondary markets.
- C) large-denomination time deposits carry a significant penalty for early withdrawal.
- D) small-denomination time deposits carry a significant penalty for early withdrawal.

Answer: <https://biology-forums.com/index.php?topic=1819272>

Question 95

According to Robert Gordon, what led to the decline in unemployment in the 1940s?

- A) structural barriers to expanding output and employment disappeared once a sufficiently large increase in aggregate demand had taken place
- B) decline in unionization of the workforce
- C) President Truman moving away from the policies implemented by President Roosevelt
- D) the strengthening of property rights following the end of the New Deal

Answer: <https://biology-forums.com/index.php?topic=1820209>

Question 96

Banks who held mortgage-backed securities "took a bath" during the financial crisis of 2007-2009 due to

- A) rising yields in secondary markets which led to a decline in the price of mortgage-backed securities.
- B) falling yields in secondary markets which led to a decline in the price of mortgage-backed securities.
- C) their inability to issue new mortgages.
- D) more rapid pre-payment of mortgages.

Answer: <https://biology-forums.com/index.php?topic=1818442>

Question 97

The velocity of money can best be described as

- A) how quickly prices are increasing.
- B) how quickly output is increasing.
- C) the number of times each dollar in the money supply is used to buy goods and services included in GDP.
- D) the growth rate of the money supply.

Answer: <https://biology-forums.com/index.php?topic=1818352>

Question 98

Describe the debt-deflation process.

Answer: <https://biology-forums.com/index.php?topic=1819576>

Question 99

Commodity money can best be described as

- A) money used to purchase agricultural products.
- B) a good used as money that also has value independent of its use as money.
- C) standardized goods like gold that trade in a financial market.
- D) the form of money used in a barter system.

Answer: <https://biology-forums.com/index.php?topic=1818270>

Question 100

Lenders may be reluctant to increase the interest rate they charge borrowers because these higher interest rates may

- A) attract less creditworthy borrowers, increasing adverse selection.
- B) attract less creditworthy borrowers, decreasing adverse selection.
- C) attract more creditworthy borrowers, increasing adverse selection.
- D) attract more creditworthy borrowers, decreasing adverse selection.

Answer: <https://biology-forums.com/index.php?topic=1819187>

Question 101

Which type of bond would you purchase if you expected higher rates of inflation during the life of the bond?

- A) Treasury bond
- B) TIPS
- C) corporate bond
- D) municipal bond

Answer: <https://biology-forums.com/index.php?topic=1818478>

Question 102

Finance companies

- A) take in deposits from savers and make loans to borrowers.
- B) sell commercial paper and securities and make loans to borrowers with the funds.
- C) take in deposits from savers and purchase assets with the funds.
- D) bring together small savers and large borrowers.

Answer: <https://biology-forums.com/index.php?topic=1819455>

Question 103

How do exchanges seek to reduce default risk in the futures market?

Answer: <https://biology-forums.com/index.php?topic=1818952>

Question 104

Following the downgrade of U.S. debt by Standard & Poor's in 2011

- A) other rating agencies also downgraded U.S. debt.
- B) interest rates spiked as investor's perception of risk increased.
- C) investors didn't seem to be any more concerned about default risk than before the downgrade.
- D) the U.S. implemented a plan to significantly reduce its budget deficit later that year.

Answer: <https://biology-forums.com/index.php?topic=1818655>

Question 105

Suppose a Nintendo Wii U has a price of 24,000 yen in Japan and the yen-dollar exchange rate changes from 80 yen to the dollar to 100 yen to the dollar. What happens to the price of the Wii U measured in dollars?

Answer: <https://biology-forums.com/index.php?topic=1819035>

Question 106

An option buyer

- A) has a greater insurance benefit than the purchaser of a futures contract.
- B) bears the risk of unfavorable price movements.
- C) is purchasing a naked option if he or she does not also own the underlying asset.
- D) generally will incur a lower cost than will the purchaser of a futures contract.

Answer: <https://biology-forums.com/index.php?topic=1818972>

Question 107

Compared to CDs and money market funds, crowdfunding

- A) provides higher expected returns with increased safety.
- B) provides lower expected returns in exchange for increased safety.
- C) is likely to result in lower returns due to higher volatility.
- D) provides opportunities for higher returns but also significant losses.

Answer: <https://biology-forums.com/index.php?topic=1819216>

Question 108

What are the steps involved in using options for a short sale of a stock?

Answer: <https://biology-forums.com/index.php?topic=1818983>

Question 109

When output is below its full-employment level, the short-run aggregate supply curve will shift down and to the right because

- A) the expected price level will be below the actual price level.
- B) workers' wages will decline.
- C) prices of nonlabor inputs will rise.
- D) workers' wages will rise.

Answer: <https://biology-forums.com/index.php?topic=1820173>

Question 110

The policy directive from the FOMC is carried out by

- A) the presidents of the district banks.
- B) the presidents of commercial banks that are members of the Federal Reserve System.
- C) the account manager at the Federal Reserve Bank of New York.
- D) private dealers in the bond market.

Answer: <https://biology-forums.com/index.php?topic=1819905>

Question 111

What is an advantage of using options instead of forward contracts when speculating on exchange rates?

Answer: <https://biology-forums.com/index.php?topic=1819126>

Question 112

Suppose that Ruritania has a fixed exchange rate versus the U.S. dollar. If foreign investors become convinced that the Ruritanian currency is overvalued, what actions might they take to profit from this conviction? Would these actions make it easier or harder for Ruritania to maintain the value of its currency versus the dollar? Why?

Answer: <https://biology-forums.com/index.php?topic=1820105>

Question 113

The chair of the Federal Reserve is

- A) chosen by the members of the Board of Governors.
- B) chosen by the president.
- C) elected by Congress.
- D) the Treasury Secretary.

Answer: <https://biology-forums.com/index.php?topic=1819620>

Question 114

If currency outstanding equals \$500 million, checkable deposits equal \$2 billion, reserves equal \$200 million, and the required reserve ratio is 0.10, the money multiplier equals

- A) 1.14.
- B) 3.57.
- C) 4.35.
- D) 5.

Answer: <https://biology-forums.com/index.php?topic=1819816>

Question 115

Suppose an investment bank is buying \$50 million in long-term mortgage-backed securities, and finances the investment by borrowing 80% and paying for the other 20% out of equity. What is the bank's return on its equity investment if the value of the mortgage-backed securities decreases by 20% during the year after they are purchased?

- A) -25%
- B) -40%
- C) -50%
- D) -100%

Answer: <https://biology-forums.com/index.php?topic=1819424>

Question 116

Primary credit is only a backup source of funds for healthy banks since

- A) the primary credit rate is set above the federal funds rate.
- B) restrictions as to its use limit its benefits.
- C) the secondary credit rate pays 0.5% more.
- D) banks must seek funds from other sources prior to requesting a discount loan.

Answer: <https://biology-forums.com/index.php?topic=1819928>

Question 117

An exception to the law of one price occurs if

- A) the good is not tradeable.
- B) demand for the good is stronger in some countries than in others.
- C) exchange rates are flexible, rather than fixed.
- D) interest rates differ across countries.

Answer: <https://biology-forums.com/index.php?topic=1819040>

Question 118

An increase in expected inflation will

- A) increase the nominal interest rate on both short-term and long-term bonds.
- B) decrease the nominal interest rate on both short-term and long-term bonds.
- C) increase the nominal interest rate on short-term bonds but not affect the nominal interest rate on long-term bonds.
- D) increase the nominal interest rate on long-term bonds but not affect the nominal interest rate on short-term bonds.

Answer: <https://biology-forums.com/index.php?topic=1818580>

Question 119

According to research by Reinhart and Rogoff, recessions that involve financial crises have typically been _____ than recessions that do not involve financial crises.

- A) longer and deeper
- B) longer but milder
- C) shorter but deeper
- D) shorter and milder

Answer: <https://biology-forums.com/index.php?topic=1819544>

Question 120

A flight to quality refers to a shift by savers from

- A) bonds and into stocks.
- B) stocks and into gold or other precious metals.
- C) bonds and into real assets, such as real estate.
- D) low-quality bonds and into high-quality bonds.

Answer: <https://biology-forums.com/index.php?topic=1818646>

Question 121

The bond demand curve slopes down because

- A) interest rates decline as bond prices decline.
- B) when bond prices are low, inflation is low.
- C) the lender is willing and able to purchase more bonds when the price of the bond is low.
- D) the borrower is willing and able to purchase more bonds when the price of the bond is low.

Answer: <https://biology-forums.com/index.php?topic=1818518>

Question 122

What was the original intent of the Federal Reserve Act of 1913?

Answer: <https://biology-forums.com/index.php?topic=1819686>

Question 123

If there is a decrease in the expected future profitability of capital

- A) the aggregate demand curve will shift right.
- B) the aggregate demand curve will shift left.
- C) the aggregate demand curve will become steeper.
- D) the aggregate demand curve will be unaffected.

Answer: <https://biology-forums.com/index.php?topic=1820119>

Question 124

Monetary policy has traditionally focused on the

- A) long-term nominal interest rate.
- B) short-term nominal interest rate.
- C) long-term real interest rate.
- D) short-term real interest rate.

Answer: <https://biology-forums.com/index.php?topic=1818584>

Question 125

The mathematicians and economists who have been hired by Wall Street firms to build mathematical models to aid the pricing of derivatives are generally referred to as

- A) speculators.
- B) hedgers.
- C) rocket scientists.
- D) market makers.

Answer: <https://biology-forums.com/index.php?topic=1818960>

Question 126

According to the liquidity premium theory, if market participants expect that inflation in the future will be lower than it currently is, the yield curve will

- A) slope upward.
- B) be flat.
- C) be inverted.
- D) be vertical.

Answer: <https://biology-forums.com/index.php?topic=1818715>

Question 127

Smaller firms tend to rely on financial intermediaries instead of financial markets for external financing due to

- A) transactions costs.
- B) adverse selection.
- C) moral hazard.
- D) all of the above.

Answer: <https://biology-forums.com/index.php?topic=1819245>

Question 128

In 2008, as the financial crisis was at its worst, the sale of 1-ounce American Eagle gold coins

- A) fell to half of the pre-crisis level.
- B) rose to more than 10 times the pre-crisis level.
- C) fell to a level not seen since the Great Depression.
- D) almost tripled compared to sales one year earlier.

Answer: <https://biology-forums.com/index.php?topic=1819770>

Question 129

How does adverse selection affect the economic efficiency of the used car market?

Answer: <https://biology-forums.com/index.php?topic=1819231>

Question 130

Marking to market involves

- A) changing the futures price to the spot price each day.
- B) engaging in arbitrage so as to reduce the risk involved with futures contracts.
- C) crediting or debiting the margin account based on the net change in the value of the futures contract.
- D) updating the futures price after the market closes each day.

Answer: <https://biology-forums.com/index.php?topic=1818904>

Question 131

Which of the following is TRUE of the U.S. balance of payments?

- A) It includes as receipts all inflows of funds from foreigners to the United States.
- B) It includes as receipts only inflows of funds used to purchase U.S. produced goods and services.
- C) It includes as receipts inflows of funds used to purchase U.S. goods or services or to acquire U.S. assets but not funds received as unilateral transfers.
- D) It includes as receipts inflows of funds used to purchase U.S. goods or services and funds received as unilateral transfers but not inflows of funds used to acquire U.S. assets.

Answer: <https://biology-forums.com/index.php?topic=1820040>

Question 132

Which of the following describes the relationship between the actual federal funds rate and that suggested by Taylor's rule following the recovery from the 2001 recession?

- A) The federal funds rate was above that suggested by Taylor's rule.
- B) The federal funds rate was below that suggested by Taylor's rule.
- C) The federal funds rate was about equal to that suggested by Taylor's rule.
- D) There was not a clear relationship between the federal funds rate and that suggested by Taylor's rule.

Answer: <https://biology-forums.com/index.php?topic=1819976>

Question 133

The aggregate M1 consists of

- A) currency plus all deposits in financial institutions.
- B) currency plus all deposits in all institutions.
- C) currency plus checkable deposits in financial institutions.
- D) currency plus all checkable deposits.

Answer: <https://biology-forums.com/index.php?topic=1819797>

Question 134

An asset's fundamental value equals

- A) its face value.

- B) its maturity value.
- C) the market's best guess of the present value of the asset's expected future returns.
- D) the weighted sum of its market price over the recent past.

Answer: <https://biology-forums.com/index.php?topic=1818790>

Question 135

Why is adverse selection more likely in financial markets when interest rates rise?

- A) The remaining borrowers are more likely to be risky.
- B) Higher interest rates are likely to hurt the economy.
- C) If firms have to pay higher interest rates, they may choose to use the funds differently than they first intended.
- D) Banks eliminate risky borrowers by raising interest rates.

Answer: <https://biology-forums.com/index.php?topic=1819170>

Question 136

Which of the following statements about junk (high-risk) bonds is TRUE?

- A) They never outperform treasury bonds since they're too risky.
- B) The price of junk bonds increases as their perceived risk increases.
- C) They tend to perform best during recessions.
- D) One can profit by owning them if market perceptions of their risk decline.

Answer: <https://biology-forums.com/index.php?topic=1818643>

Question 137

When output exceeds its full-employment level

- A) the short-run aggregate supply curve shifts to the left.
- B) wages fall.
- C) the short-run aggregate supply curve shifts to the right.
- D) aggregate supply exceeds aggregate demand.

Answer: <https://biology-forums.com/index.php?topic=1820172>

Question 138

If a nation's current account is -\$200 billion and its financial account (excluding its official settlements balance) is \$175 billion, how much is its official settlements balance?

- A) \$375 billion
- B) \$25 billion
- C) -\$25 billion
- D) -\$ 375 billion

Answer: <https://biology-forums.com/index.php?topic=1820055>

Question 139

A bank's remaining value after it has met all its liabilities is known as

- A) a bank's assets.
- B) a bank's liabilities.
- C) bank capital.
- D) a bank's income.

Answer: <https://biology-forums.com/index.php?topic=1819293>

Question 140

The Franklin National Bank Crisis had its greatest impact on the market for

- A) commercial paper.
- B) commodity futures.
- C) negotiable certificates of deposit.
- D) Eurodollars.

Answer: <https://biology-forums.com/index.php?topic=1819603>

Question 141

Stocks of small firms have a higher annual average return than stocks in general. Some economists attribute this to

- A) compensation for the higher risk of small firms.
- B) lower liquidity of stocks of small firms.
- C) higher information costs of stocks of small firms.
- D) all of the above.

Answer: <https://biology-forums.com/index.php?topic=1818840>

Question 142

Suppose a company expects prices in general to rise by 5%, but the price of its product rises by 2%. How will the company respond to the price change?

- A) It will increase production since it's getting a higher price for the product.
- B) It will increase production more slowly since it's price is rising more slowly than average.
- C) It will reduce production since it perceives a relative decline in the demand for its product.
- D) It will stop production and shut down until prices rise more quickly.

Answer: <https://biology-forums.com/index.php?topic=1820146>

Question 143

Studies indicate that many mutual fund managers and other professional investors

- A) always earn better than the long-run average return on stocks.
- B) never earn better than the long-run average return on stocks.
- C) are unable to consistently earn better than the long-run average return on stocks.
- D) are able to consistently earn better than the long-run average return on stocks.

Answer: <https://biology-forums.com/index.php?topic=1818825>

Question 144

All of the following were reasons that the Fed increased the required reserve ratio in 1936 EXCEPT

- A) concerns over the possibility of future inflation.
- B) to eliminate the high level of excess reserves.
- C) fears that the economy was overheating.
- D) concerns over a speculative bubble.

Answer: <https://biology-forums.com/index.php?topic=1819813>

Question 145

Which of the following statements is TRUE?

- A) The more liquid the bond, the lower the yield.
- B) Tax-free bonds normally have a higher interest rate than other types of bonds.
- C) The price of a bond increases as it becomes more risky.
- D) The yield curve illustrates the relative default risks of alternative types of bonds.

Answer: <https://biology-forums.com/index.php?topic=1818666>

Question 146

Suppose there's an 80% chance of a stock rising by 20% and a 20% chance of it falling by 40%. What is the expected rate of return on the stock?

- A) -40%
- B) -20%
- C) 8%
- D) 16%

Answer: <https://biology-forums.com/index.php?topic=1818493>

Question 147

Bank borrowing from the Fed is referred to as

- A) federal funds.
- B) discount loans.
- C) repurchase agreements.
- D) reverse repurchase agreements.

Answer: <https://biology-forums.com/index.php?topic=1819368>

Question 148

Money eliminates the need for

- A) any government role in the economy.
- B) specialization.
- C) people to have a double coincidence of wants.
- D) the market system.

Answer: <https://biology-forums.com/index.php?topic=1818268>

Question 149

The distinguishing feature of a well-functioning financial market is the

- A) continual increase in the liquidity of most assets.
- B) continual reduction in the riskiness of most assets.
- C) increased ease of converting common stocks into bonds.
- D) incorporation of available information into asset prices.

Answer: <https://biology-forums.com/index.php?topic=1818214>

Question 150

Which of the following occurred following the failure of the Bank of the United States in 1930?

- A) Interest rates on low-grade corporate bonds rose relative to high-rated corporate bonds.
- B) Other banks in New York City suffered liquidity problems.
- C) A bank panic ensued within days.
- D) The stock market crashed.

Answer: <https://biology-forums.com/index.php?topic=1819570>

Question 151

Which economist is credited with having been the first to discuss the "lemons problem"?

- A) George Akerlof
- B) Milton Friedman
- C) Robert Shiller
- D) James Tobin

Answer: <https://biology-forums.com/index.php?topic=1819165>

Question 152

Which of the following involves banks borrowing funds from firms or other banks using the value of underlying securities as collateral?

- A) federal funds
- B) repurchase agreement
- C) counterparty lending
- D) money market account

Answer: <https://biology-forums.com/index.php?topic=1819302>

Question 153

Suppose the GDP implicit price deflator was 112.7 in 2015 and 116.0 in 2016. Therefore, the inflation rate in 2016 would be

- A) 2.8%.
- B) 2.9%.
- C) 3.3%.
- D) 16%.

Answer: <https://biology-forums.com/index.php?topic=1818348>

Question 154

The interest rate on loans made by peer-to-peer lenders tends to be

- A) lower than the interest rate on bonds and lower than the interest rate on credit cards.
- B) higher than the interest rate on bonds and higher than the interest rate on credit cards.
- C) lower than the interest rate on bonds and higher than the interest rate on credit cards.
- D) higher than the interest rate on bonds and lower than the interest rate on credit cards.

Answer: <https://biology-forums.com/index.php?topic=1818221>

Question 155

If U.S. inflation is 2%, Japanese inflation is 1%, and Mexican inflation is 3%, which of the following is TRUE according to the theory of purchasing power parity?

- A) The dollar should rise by 1% versus the yen and fall by 1% versus the peso.
- B) The dollar should rise by 1% versus the peso and fall by 1% versus the yen.
- C) The dollar should rise by 1% versus both the peso and the yen.
- D) The dollar should fall by 1% versus both the peso and the yen.

Answer: <https://biology-forums.com/index.php?topic=1819056>

Question 156

If the expected price level increases at the same time that the federal government cuts taxes, in the short run

- A) aggregate output and the price level will both increase.
- B) aggregate output will increase, but the price level will fall.
- C) aggregate output and the price level will both fall.
- D) the price level will increase, but aggregate output may either increase or decrease.

Answer: <https://biology-forums.com/index.php?topic=1820175>

Question 157

In the long run, gold has shown to be

- A) a good hedge against inflation.
- B) a poor hedge against inflation.
- C) a good hedge against deflation.
- D) neither a good nor poor hedge against inflation or deflation.

Answer: <https://biology-forums.com/index.php?topic=1819821>

Question 158

Suppose that there is concern about the stability of the global financial system causing a flight to the safety of U.S. government bonds. Which of the following is NOT a likely consequence?

- A) higher price of U.S. government bonds
- B) lower interest rate on U.S. government bonds
- C) increased demand for U.S. government bonds
- D) reduced supply of U.S. government bonds

Answer: <https://biology-forums.com/index.php?topic=1818553>

Question 159

The Bretton Woods system was expected to be more stable than the gold standard because

- A) the world supply of gold had increased greatly by the time the Bretton Woods system was established.
- B) large trade deficits and surpluses would be unlikely to occur under the Bretton Woods system.
- C) fewer countries were involved in the Bretton Woods system than had been involved in the gold standard.
- D) the IMF was set up to be a lender of last resort.

Answer: <https://biology-forums.com/index.php?topic=1820067>

Question 160

The IS curve depicts the relationship between

- A) aggregate output and the real interest rate.
- B) investment demand and the real interest rate.
- C) investment demand and the level of current output.
- D) national saving and the level of current output.

Answer: <https://biology-forums.com/index.php?topic=1820214>

Question 161

The Federal Reserve Act of 1913

- A) specified both the boundaries and city locations for the district banks.
- B) specified the boundaries, but not the city locations, for the district banks.
- C) specified the city locations, but not the boundaries, for the district banks.
- D) specified neither the boundaries nor city locations for the district banks.

Answer: <https://biology-forums.com/index.php?topic=1819638>

Question 162

For how long must most hedge fund investors wait before withdrawing funds?

- A) 1 to 3 days
- B) 1 to 3 weeks
- C) 1 to 3 months
- D) 1 to 3 years

Answer: <https://biology-forums.com/index.php?topic=1819467>

Question 163

If banks hold no excess reserves, checkable deposits total \$1.5 billion, currency totals \$400 million, and the required reserve ratio is 10%, then the monetary base equals

- A) \$550 million.

- B) \$1.54 billion.
- C) \$1.9 billion.
- D) \$15 billion.

Answer: <https://biology-forums.com/index.php?topic=1819814>

Question 164

A primary criticism of preferential tax treatment of dividends and capital gains is

- A) there is not a double taxation of dividends.
- B) it adversely affects the distribution of after-tax income.
- C) there is no locked-in effect resulting from taxation of capital gains.
- D) it does not have any impact on efficiency.

Answer: <https://biology-forums.com/index.php?topic=1818775>

Question 165

Under the theory of purchasing power parity, an increase in the U.S. price level of 10% relative to the Japanese price level will result in

- A) a 10% appreciation of the yen.
- B) a 10% appreciation of the dollar.
- C) an appreciation of the yen by an amount that depends upon what happens to the real exchange rate.
- D) an appreciation of the dollar by an amount that depends upon what happens to the real exchange rate.

Answer: <https://biology-forums.com/index.php?topic=1819047>

Question 166

International capital mobility refers to

- A) the ease with which manufacturing equipment can be transported across countries.
- B) the ease with which cash may be transferred from one country to another without having to be converted into a foreign currency.
- C) the ease with which investors move funds among international financial markets.
- D) the ease with which exchange rates may be adjusted to reflect changes in the relative economic strengths of countries.

Answer: <https://biology-forums.com/index.php?topic=1819084>

Question 167

A firm's agents are its

- A) shareholders.
- B) management.
- C) marketing department.
- D) customers.

Answer: <https://biology-forums.com/index.php?topic=1819197>

Question 168

Which best describes the Federal Reserve district banks?

- A) They are private ventures.
- B) They are government ventures.
- C) Some are private while others are government.
- D) They are private-government joint ventures.

Answer: <https://biology-forums.com/index.php?topic=1819641>

Question 169

By providing and communicating information, the financial system

- A) reduces the difference between the return on three-month U.S. Treasury bills and the return on thirty-year U.S. Treasury bonds.
- B) relieves individual savers from the necessity of searching out individual borrowers.
- C) eliminates the risk in investing in the stock market.
- D) guarantees investors a reasonable return on their money.

Answer: <https://biology-forums.com/index.php?topic=1818190>

Question 170

An open market sale

- A) decreases the price of Treasury securities and also decreases their yield.
- B) increases the price of Treasury securities and decreases their yield.
- C) increases the price of Treasury securities and also increases their yield.
- D) decreases the price of Treasury securities and increases their yield.

Answer: <https://biology-forums.com/index.php?topic=1819902>

Question 171

Which of the following is most likely to have an impact on the growth of productivity?

- A) a decrease in the price level
- B) a decrease in real money balances
- C) an increase in the labor supply
- D) improvements in worker training

Answer: <https://biology-forums.com/index.php?topic=1820162>

Question 172

Which of the following statements concerning seasonal credit is TRUE?

- A) It tends to have a lower interest rate than federal funds.
- B) It has become increasingly more important in recent years.
- C) Only firms receiving secondary credit are eligible to receive seasonal credit.
- D) Improvements in credit markets have reduced the need for a seasonal credit facility.

Answer: <https://biology-forums.com/index.php?topic=1819929>

Question 173

The prime interest rate is the

- A) interest rate on six-month U.S. Treasury bills.
- B) discount rate.
- C) federal funds rate.
- D) interest rate that banks charge high-quality borrowers.

Answer: <https://biology-forums.com/index.php?topic=1819344>

Question 174

Suppose the Fed makes a \$5 million discount loan to a bank. Illustrate how this affects the balance sheets of the Fed and the banking system.

Answer: <https://biology-forums.com/index.php?topic=1819793>

Question 175

During the financial crisis, which type of risk was the biggest problem faced by investment banks?

- A) interest-rate risk
- B) currency risk
- C) hedging risk
- D) credit risk

Answer: <https://biology-forums.com/index.php?topic=1819418>

Question 176

When market participants have rational expectations

- A) the information they use contains only past experiences.
- B) the information they use contains not only past experiences, but also their expectations for the future.
- C) the information they use contains only their expectations for the future.
- D) their forecasts are always correct.

Answer: <https://biology-forums.com/index.php?topic=1818788>

Question 177

Suppose you purchase a call option to buy IBM common stock at \$35 per share in September. The current price of IBM is \$37 and the option premium is \$4. What is the intrinsic value of the option? As the expiration date on the option approaches, what will happen to the size of the option premium?

Answer: <https://biology-forums.com/index.php?topic=1818982>

Question 178

Which of the following statements is correct?

- A) The Fed is fully insulated from external pressures due to the long terms that members of the Board of Governors serve.
- B) The Fed is fully insulated from external pressures because it does not need to go through the normal congressional appropriations process.
- C) The Fed is fully insulated from external pressures because it has a constitutional mandate.
- D) The Fed is only partially insulated from external pressures.

Answer: <https://biology-forums.com/index.php?topic=1819694>

Question 179

Moody's Investors Service is able to make a profit because

- A) most investors are irrational.
- B) of the existence of adverse selection problems.
- C) fluctuations in interest rates make default risk on corporate bonds difficult to gauge.
- D) small investors like the mutual funds they sell.

Answer: <https://biology-forums.com/index.php?topic=1819181>

Question 180

All else being equal, an increase in the foreign demand for U.S. goods causes the demand for dollars to _____ and the dollar will _____ relative to foreign currencies.

- A) increase; appreciate
- B) increase; depreciate
- C) decrease; appreciate
- D) decrease; depreciate

Answer: <https://biology-forums.com/index.php?topic=1819073>

Question 181

Most economists believe that changes in the price level have

- A) no effect on the quantity of output supplied in either the short run or the long run.
- B) an effect on the quantity of output supplied in the short run, but not in the long run.
- C) an effect on the quantity of output supplied in the long run, but not in the short run.
- D) an effect on the quantity of output supplied in both the short run and the long run.

Answer: <https://biology-forums.com/index.php?topic=1820132>

Question 182

A bond that is generally agreed to have higher default risk will experience all of the following EXCEPT

- A) declining demand.
- B) declining supply.
- C) higher yield.
- D) lower price.

Answer: <https://biology-forums.com/index.php?topic=1818670>

Question 183

International financial transactions are most likely to affect the U.S. monetary base when

- A) the United States is in recession.
- B) the United States is experiencing a severe inflation.
- C) the Fed tries to influence the foreign-exchange value of the dollar.
- D) interest rates in the United States are highly variable.

Answer: <https://biology-forums.com/index.php?topic=1819993>

Question 184

The Federal Reserve district banks

- A) do not engage in monetary policy.
- B) engage in monetary policy directly through discount lending.
- C) engage in monetary policy directly through open market operations.
- D) engage in monetary policy directly through their membership on Federal Reserve committees.

Answer: <https://biology-forums.com/index.php?topic=1819648>

Question 185

The official settlement balance

- A) is an amount that the IMF requires each member country to pay annually.
- B) must by definition always be zero.
- C) equals the current account balance divided by the capital account balance.
- D) equals the net increase in a country's official reserve assets.

Answer: <https://biology-forums.com/index.php?topic=1820051>

Question 186

Forward transactions originated in the market for

- A) common stock.
- B) corporate bonds.

- C) government bonds.
- D) agricultural and other commodities.

Answer: <https://biology-forums.com/index.php?topic=1818875>

Question 187

Forward transactions

- A) allow savers and borrowers to conduct a transaction now and settle in the future.
- B) allow savers and borrowers to postpone a transaction from now to the future.
- C) always involve increased risk compared with spot transactions.
- D) may not be conducted on organized exchanges.

Answer: <https://biology-forums.com/index.php?topic=1818873>

Question 188

Which of the following is NOT fixed on a coupon bond?

- A) coupon
- B) coupon rate
- C) market price
- D) par value

Answer: <https://biology-forums.com/index.php?topic=1818411>

Question 189

What percentage of bank assets were in security holdings in 2016?

- A) 11%
- B) 22%
- C) 37%
- D) 59%

Answer: <https://biology-forums.com/index.php?topic=1819289>

Question 190

Some claim that ratings agencies have a conflict of interest since

- A) they rate the quality of their own bonds.
- B) agencies charge firms for their services rather than investors, they have an incentive to give high ratings to gain business.
- C) government began to include bond ratings as part of regulations of mutual funds, banks, and financial firms.
- D) they issued many of the mortgages that were later securitized into bonds.

Answer: <https://biology-forums.com/index.php?topic=1818672>

Question 191

By the 1990s, most economists supported the repeal of the Glass-Steagall Act, arguing that the separation of commercial banking from investment banking _____ competition in the market for investment banking services and _____ opportunities for economies of scope in banking.

- A) increased; increased
- B) increased; reduced
- C) reduced; increased
- D) reduced; reduced

Answer: <https://biology-forums.com/index.php?topic=1819434>

Question 192

Which of the following is a bank liability?

- A) reserves
- B) consumer loans
- C) nontransaction deposits
- D) securities

Answer: <https://biology-forums.com/index.php?topic=1819259>

Question 193

According to the new classical view, when the actual price level is greater than the expected price level

- A) aggregate output is above the full employment level.
- B) aggregate output is below the full employment level.
- C) the aggregate supply curve will slope downward.
- D) the coefficient a is equal to zero.

Answer: <https://biology-forums.com/index.php?topic=1820143>

Question 194

Dividends are

- A) payments made to stockholders.
- B) payments made to bond holders.
- C) the total profit earned by a corporation.
- D) payments to holders of common stock, not preferred stock.

Answer: <https://biology-forums.com/index.php?topic=1818743>

Question 195

Other assets are inferior to money in the sense that

- A) they increase in value more slowly than does money.
- B) they have a lower overall return than money.
- C) they are more vulnerable to losing their real value as inflation increases.
- D) they generate transactions costs when they are exchanged for money.

Answer: <https://biology-forums.com/index.php?topic=1818286>

Question 196

The McFadden Act of 1927

- A) separated commercial banking from investment banking.
- B) put a tax on the issuance of bank notes by state banks.
- C) prohibited national banks from operating branches outside their home states.
- D) established the Federal Reserve System.

Answer: <https://biology-forums.com/index.php?topic=1819390>

Question 197

The ratio of bank capital to bank assets is known as the bank's

- A) leverage ratio.
- B) net interest margin.
- C) return on equity.
- D) return on capital.

Answer: <https://biology-forums.com/index.php?topic=1819327>

Question 198

All of the following are problems associated with commodity money EXCEPT

- A) it is a cumbersome form of payments system.
- B) commodities tend to have little value in and of themselves.
- C) its value is dependent on its purity.
- D) costs are incurred in certifying the purity and weight of commodity money.

Answer: <https://biology-forums.com/index.php?topic=1818313>

Question 199

Which of the following assets had both the lowest average annual return and lowest risk between 1926 and 2015?

- A) small company stocks
- B) large company stocks
- C) long-term corporate bonds
- D) U.S. Treasury bills

Answer: <https://biology-forums.com/index.php?topic=1818507>

Question 200

A part of the Jumpstart Our Business Startups (JOBS) Act is

- A) banks are required to provide special financing for start ups.
- B) differences between qualified and unaccredited investors were removed.
- C) the SEC is no longer allowed to regulate funding of business start ups.
- D) Congress removed some of the restrictions on using crowdfunding to allow small investors to buy equity in start-ups.

Answer: <https://biology-forums.com/index.php?topic=1819214>

Question 201

In 2016, individual investors for the first time

- A) made up more than 10% of the volume of daily trading of oil futures on the Chicago Mercantile Exchange.
- B) were prohibited from trading in oil futures.
- C) were allowed to trade in oil futures.
- D) surpassed high-income investors in the volume of trading of oil futures on the Chicago Mercantile Exchange.

Answer: <https://biology-forums.com/index.php?topic=1818887>

Question 202

The best explanation of why the aggregate demand curve has a negative slope is that

- A) at a higher price level households cut back on their spending on goods and services.
- B) at a higher price level business firms wish to produce more goods and services.
- C) a higher price level results in lower real money balances and a higher real interest rate.
- D) a higher price level results in less government spending on transfers, such as unemployment insurance and social security payments.

Answer: <https://biology-forums.com/index.php?topic=1820110>

Question 203

A benefit of hedge funds relative to mutual funds is

- A) low management fees.
- B) possible higher returns.
- C) full disclosure of holdings.
- D) lower risk.

Answer: <https://biology-forums.com/index.php?topic=1819469>

Question 204

For a bank, the ratio of after-tax profit to assets is its

- A) net interest margin.
- B) return on assets.
- C) return on equity.
- D) spread.

Answer: <https://biology-forums.com/index.php?topic=1819325>

Question 205

In August 2016, the largest liability of the Fed was

- A) currency in circulation.
- B) reserves.
- C) discount loans to banks.
- D) vault cash.

Answer: <https://biology-forums.com/index.php?topic=1819743>

Question 206

What was the goal of Operation Twist?

- A) to reduce long-term interest rates and increase short-term interest rates
- B) to reduce short-term interest rates and increase long-term interest rates
- C) to reduce both short-term and long-term interest rates
- D) to increase both short-term and long-term interest rates

Answer: <https://biology-forums.com/index.php?topic=1819936>

Question 207

Restrictive covenants

- A) generally require that firms use debt finance rather than equity finance.
- B) generally require that firms use equity finance rather than debt finance.
- C) put restrictions on the use of borrowed funds.
- D) were outlawed under the Civil Rights Act of 1964.

Answer: <https://biology-forums.com/index.php?topic=1819202>

Question 208

How do high interest rates increase the risk of adverse selection in the bond market?

Answer: <https://biology-forums.com/index.php?topic=1819236>

Question 209

With debt financing

- A) moral hazard problems are eliminated.
- B) moral hazard problems are reduced but not eliminated.
- C) adverse selection problems are eliminated.
- D) firms reduce the risk that they will become bankrupt during a recession.

Answer: <https://biology-forums.com/index.php?topic=1819200>

Question 210

Research has shown that nations with highly independent central banks tend to have low

- A) inflation.
- B) interest rates.
- C) economic growth.
- D) unemployment.

Answer: <https://biology-forums.com/index.php?topic=1818360>

Question 211

Which of the following is a coupon bond?

- A) a U.S. savings bond
- B) a U.S. Treasury bill
- C) a U.S. Treasury note or bond
- D) a zero-coupon bond

Answer: <https://biology-forums.com/index.php?topic=1818403>

Question 212

According to the new classical approach to the aggregate supply curve, the aggregate supply curve slopes upward because

- A) increases in the price level result in lower real money balances.
- B) higher current output results in higher desired investment.
- C) higher prices result in higher levels of spending as consumers attempt to stay ahead of inflation.
- D) businesses have difficulty in distinguishing relative price increases from general price increases.

Answer: <https://biology-forums.com/index.php?topic=1820139>

Question 213

If the Fed purchases \$1 million worth of securities and the required reserve ratio is 8%, by how much will deposits change (assuming no change in excess reserves or the public's currency holdings)?

- A) rise by \$1 million
- B) decline by \$1 million
- C) rise by \$8 million
- D) rise by \$12.5 million

Answer: <https://biology-forums.com/index.php?topic=1819800>

Question 214

What does the coefficient a in the new classical expression for short-run aggregate supply represent?

- A) the full employment level of output
- B) the price level in the previous period
- C) how much output responds when the actual price level differs from the expected price level
- D) how much the price level responds when the actual level of output differs from the full-employment level of output

Answer: <https://biology-forums.com/index.php?topic=1820141>

Question 215

In the foreign-exchange market, trading

- A) is restricted to the hours 10 A.M. to 3 P.M. New York time.
- B) may not take place after 5 P.M. London time.
- C) takes place at any hour of the night or day.
- D) takes place at prices set by the U.S. government in consultation with the governments of other leading countries.

Answer: <https://biology-forums.com/index.php?topic=1819032>

Question 216

The process by which identical products that are tradeable converge to the same price is called

- A) arbitrage.
- B) hedging.

- C) speculation.
- D) risk aversion.

Answer: <https://biology-forums.com/index.php?topic=1819053>

Question 217

The purpose of collateral and restrictive covenants is to reduce _____ in debt contracts.

- A) adverse selection
- B) transactions costs
- C) moral hazard
- D) loan amounts

Answer: <https://biology-forums.com/index.php?topic=1819248>

Question 218

Which of the following activities is NOT a primary concern of investment banks?

- A) taking in deposits and making loans
- B) providing advice and financing for mergers and acquisitions
- C) underwriting new security issues
- D) providing advice on new security issues

Answer: <https://biology-forums.com/index.php?topic=1819415>

Question 219

Briefly explain what was done in the early years of George Washington's administration that helped the United States develop a modern financial system.

Answer: <https://biology-forums.com/index.php?topic=1819137>

Question 220

A falling dollar makes U.S. goods

- A) more expensive abroad and increases the volume of U.S. exports.
- B) less expensive abroad and increases the volume of U.S. exports.
- C) less expensive abroad and decreases the volume of U.S. exports.
- D) more expensive abroad and decreases the volume of U.S. exports.

Answer: <https://biology-forums.com/index.php?topic=1819858>

Question 221

A portfolio is a

- A) brokerage house specializing in the trading of common stock.
- B) brokerage house specializing in the trading of corporate bonds.
- C) measure of the risk involved with a holding a particular asset.
- D) collection of assets.

Answer: <https://biology-forums.com/index.php?topic=1818484>

Question 222

All of the following are potential benefits of defined contribution plans EXCEPT

- A) clear ownership rights to the balances of their 401Ks.
- B) lower risk for employees.
- C) if the employee's investments are profitable, the employee can have high income during retirement.
- D) contributions to traditional 401Ks are tax deductible.

Answer: <https://biology-forums.com/index.php?topic=1819480>

Question 223

Why do some economists think that taxing capital gains results in a locked-in effect?

Answer: <https://biology-forums.com/index.php?topic=1818781>

Question 224

Increases in interest rates are often blamed on

- A) Congress.
- B) the President.
- C) the Fed.
- D) the U.S. Treasury.

Answer: <https://biology-forums.com/index.php?topic=1819855>

Question 225

A matched sale-purchase transaction is also known as a

- A) reverse repo.
- B) discount loan.
- C) put option.
- D) federal funds loan.

Answer: <https://biology-forums.com/index.php?topic=1819912>

Question 226

The first stage in the regulatory process is

- A) a crisis.
- B) response by the financial system.
- C) regulation.
- D) regulatory response.

Answer: <https://biology-forums.com/index.php?topic=1819596>

Question 227

An investor who is considering hedging by selling Treasury futures can also hedge by

- A) buying Treasury put options.
- B) selling Treasury put options.
- C) buying Treasury call options.
- D) buying European Treasury options.

Answer: <https://biology-forums.com/index.php?topic=1818978>

Question 228

The new classical explanation of aggregate supply is also known as

- A) monetarism.
- B) Keynesianism.
- C) the misperception theory.
- D) the adaptive expectations theory.

Answer: <https://biology-forums.com/index.php?topic=1820136>

Question 229

If investors are becoming more confident that investments in Indonesia are at decreased risk of default, these investors would be inclined to _____ Indonesian rupiah, _____ the value of the Indonesian rupiah relative to other currencies.

- A) buy; raising
- B) buy; lowering
- C) sell; raising
- D) sell; lowering

Answer: <https://biology-forums.com/index.php?topic=1819070>

Question 230

Suppose you buy 100 shares of 3M at \$86 a share and sell all shares one year later for \$99 a share. During the year, you earned a dividend of \$2.10 a share. What was your rate of return? Report your answer in percentages with one decimal point.

Answer: <https://biology-forums.com/index.php?topic=1818778>

Question 231

An exporter can hedge against the possible decline in a foreign currency by purchasing

- A) put options on the currency.
- B) call options on the currency.
- C) the currency on the spot market.
- D) currency on forward contracts.

Answer: <https://biology-forums.com/index.php?topic=1819104>

Question 232

All of the following arguments are made against inflation targeting EXCEPT

- A) rigid numerical targets would diminish the flexibility of monetary policy.

- B) the Fed would need to depend on future forecasts of inflation since monetary policy acts with a lag.
C) the Fed has little influence on inflation.
D) holding the Fed accountable for low inflation may make it difficult for elected officials to monitor whether the Fed is supporting good overall economic policy.

Answer: <https://biology-forums.com/index.php?topic=1819979>

Question 233

In 2016, net worth was about what percentage of total funds raised by banks?

- A) 2%
B) 7%
C) 14%
D) 35%

Answer: <https://biology-forums.com/index.php?topic=1819294>

Question 234

The Fed does NOT have to go through the normal congressional appropriations process because

- A) its expenses are very small.
B) it was given enough funds at the time of its founding to provide for its expenses indefinitely.
C) it is self financing.
D) it is not part of the legislative branch of the federal government.

Answer: <https://biology-forums.com/index.php?topic=1819695>

Question 235

The efficient markets hypothesis

- A) assumes that market participants form their expectations adaptively.
B) applies rational expectations to the pricing of assets.
C) applies to the stock market, but not to the bond market.
D) indicates that the stock market is efficient, but not rational.

Answer: <https://biology-forums.com/index.php?topic=1818799>

Question 236

If a bank's ratio of assets to capital is 25 and its return on assets is -5%, what is its return on equity?

- A) -0.2%
B) -5%
C) -30%
D) -125%

Answer: <https://biology-forums.com/index.php?topic=1819330>

Question 237

An asset is

- A) the same thing as a liability.
B) a thing of value that can be owned.
C) money, as opposed to stock or bonds.
D) anything that never declines in value.

Answer: <https://biology-forums.com/index.php?topic=1818280>

Question 238

Included in M2 but not in M1 are

- A) savings accounts and money market mutual funds.
B) savings accounts and checkable deposits.
C) money market mutual funds and currency.
D) currency and checkable deposits.

Answer: <https://biology-forums.com/index.php?topic=1819827>

Question 239

Following the recession of 2007-2009, the unemployment rate _____ by October 2009.

- A) fell to 5.0%
B) rose to 10.0%
C) returned to its pre-recession level
D) stabilized at 6.5%

Answer: <https://biology-forums.com/index.php?topic=1820202>

Question 240

The National Monetary Commission

- A) was created by Congress to study the setting up of a central bank.
- B) authorizes open market operations.
- C) oversees nationally chartered banks.
- D) chooses Federal Reserve district bank presidents.

Answer: <https://biology-forums.com/index.php?topic=1819628>

Question 241

Why do some economists think a global savings glut contributed to the U.S. running a current account deficit in the 2000s?

Answer: <https://biology-forums.com/index.php?topic=1820058>

Question 242

What are three reasons that employees may prefer to save through pensions provided by employers rather than through savings accounts?

Answer: <https://biology-forums.com/index.php?topic=1819491>

Question 243

A coupon bond involves

- A) interest payments from the borrower to the lender periodically during the life of the loan and payment by the borrower to the lender of the face value of the loan at maturity.
- B) interest and principal payments from the borrower to the lender periodically during the life of the loan.
- C) periodic payments by the borrower to the lender that include both principal and interest.
- D) periodic payments by the borrower to the lender that include principal, but not interest.

Answer: <https://biology-forums.com/index.php?topic=1818401>

Question 244

If the Fed wants to reduce the value of the dollar, it will

- A) sell foreign assets and buy dollars.
- B) sell dollars and buy foreign assets.
- C) buy foreign assets and also buy dollars.
- D) sell foreign assets and also sell dollars.

Answer: <https://biology-forums.com/index.php?topic=1819998>

Question 245

In 2009, global investors began to regain confidence in the financial system and reversed the flight to safety that had taken place during the depths of the financial crisis. Make use of a graph of the market for corporate bonds to show the impact on corporate bonds' prices and yields.

Answer: <https://biology-forums.com/index.php?topic=1818684>

Question 246

If the Fed buys \$2 billion of short-term securities issued by the government of Japan and pays for them by writing a check for \$2 billion

- A) its assets will rise by \$2 billion and the monetary base will rise by \$2 billion.
- B) its assets will fall by \$2 billion and the monetary base will fall by \$2 billion.
- C) its assets will rise by \$2 billion and the monetary base will fall by \$2 billion.
- D) its assets will fall by \$2 billion and the monetary base will rise by \$2 billion.

Answer: <https://biology-forums.com/index.php?topic=1820002>

Question 247

In which of the following have pension funds invested the most?

- A) corporate equities and mutual fund shares
- B) government securities
- C) corporate bonds
- D) mortgages

Answer: <https://biology-forums.com/index.php?topic=1819482>

Question 248

What alternative to restrictions on capital inflows do some economists recommend to minimize the possibility of increased lending booms and risk taking by domestic banks?

Answer: <https://biology-forums.com/index.php?topic=1820037>

Question 249

Money as a medium of exchange refers only to

- A) currency.
- B) gold coins.
- C) anything that is generally accepted as payment for goods and services.
- D) checks at commercial banks.

Answer: <https://biology-forums.com/index.php?topic=1818277>

Question 250

Interest-rate risk can best be characterized as the risk that

- A) you could have earned a higher interest rate if you waited to purchase a bond.
- B) fluctuations in the price of a financial asset in response to changes in market interest rates.
- C) you could have gotten a lower interest rate if you waited to lock in a mortgage.
- D) short-term interest rates may exceed long-term interest rates.

Answer: <https://biology-forums.com/index.php?topic=1818465>

Question 251

The financial crisis of 2007-2009 worsened after the failure of which firm?

- A) General Motors
- B) Lehman Brothers
- C) Bear Stearns
- D) American International Group (AIG)

Answer: <https://biology-forums.com/index.php?topic=1818244>

Question 252

The situation where the price of an asset rises well above its fundamental value is called

- A) contagion.
- B) a bubble.
- C) a panic.
- D) disintermediation.

Answer: <https://biology-forums.com/index.php?topic=1819593>

Question 253

Which of the following is an example of adverse selection?

- A) A homeowner with a large fire insurance policy allows the wiring in her house to deteriorate.
- B) A woman with a large life insurance policy takes up sky diving.
- C) Your brother-in-law borrows \$20,000 from you to open a pizza parlor, but spends it gambling at the racetrack instead.
- D) A man with a bad heart condition buys a large life insurance policy.

Answer: <https://biology-forums.com/index.php?topic=1819161>

Question 254

How can a global savings glut affect the United States?

- A) It can reduce the world real interest rate, thus encouraging borrowing by Americans.
- B) It can increase the world real interest rate, thus encouraging saving by Americans.
- C) It can reduce the supply of loanable funds for the United States.
- D) It can reduce the demand for loanable funds for the United States.

Answer: <https://biology-forums.com/index.php?topic=1818618>

Question 255

When the yield curve is downward-sloping

- A) short-term yields are higher than long-term yields.
- B) long-term yields are higher than short-term yields.
- C) the bond market is anticipating the U.S. Treasury may default on its obligations.
- D) the inflation rate is expected to rise.

Answer: <https://biology-forums.com/index.php?topic=1818687>

Question 256

The financial system is primarily a means by which

- A) funds are transferred from savers to borrowers.
- B) money is put into circulation.
- C) the government puts into operation its plans for the economy.
- D) business firms distribute their goods.

Answer: <https://biology-forums.com/index.php?topic=1818181>

Question 257

The liquidity premium theory holds that investors

- A) always choose the bond with the highest expected return, regardless of maturity.
- B) require a term premium to compensate them for investing in a less preferred maturity.
- C) view bonds of different maturities as perfect substitutes.
- D) view bonds of different maturities as completely unsubstitutable.

Answer: <https://biology-forums.com/index.php?topic=1818708>

Question 258

The difference between money and income is that whereas income is an individual's

- A) flow of earnings over a period of time, money is an individual's stock of currency and currency substitutes.
- B) stock of all assets, money is an individual's stock of currency and currency substitutes.
- C) flow of earnings over a period of time, money is an individual's stock of all assets.
- D) stock of currency and currency substitutes, money is an individual's stock of all assets.

Answer: <https://biology-forums.com/index.php?topic=1818283>

Question 259

About what percentage of the goods and services purchased by U.S. consumers, businesses, and governments in 2016 were produced by foreigners?

- A) 5%
- B) 13%
- C) 16%
- D) 40%

Answer: <https://biology-forums.com/index.php?topic=1819003>

Question 260

Who had served as a de facto lender of last resort during the 1907 panic?

- A) The U.S. Treasury
- B) J. P. Morgan
- C) Henry Ford
- D) John D. Rockefeller

Answer: <https://biology-forums.com/index.php?topic=1819627>

Question 261

Suppose the current federal funds rate is 0.25% and the Fed chooses to raise its target to 0.5%. Make use of a graph of the federal funds market to show how it will use open market operations to accomplish this.

Answer: <https://biology-forums.com/index.php?topic=1819891>

Question 262

Which of the following cities contains a Federal Reserve bank?

- A) Pittsburgh
- B) Los Angeles
- C) Seattle
- D) Dallas

Answer: <https://biology-forums.com/index.php?topic=1819635>

Question 263

If a central bank engages in an unsterilized foreign-exchange intervention with the intention of raising the foreign-exchange value of its currency

- A) the central bank's holdings of international reserves will fall.
- B) the domestic money supply will rise.
- C) domestic interest rates will fall.
- D) it will buy foreign assets.

Answer: <https://biology-forums.com/index.php?topic=1820030>

Question 264

The American Civil War lasted from the spring of 1861 to the spring of 1865. During the war the Confederate government issued substantial amounts of fiat paper currency. What do you think happened to the price level (measured in Confederate dollars) in the Confederate states during the final months of the war?

Answer: <https://biology-forums.com/index.php?topic=1818366>

Question 265

According to the liquidity premium theory,

- A) investors prefer longer to shorter maturities.
- B) investors prefer shorter to longer maturities.
- C) investors are indifferent between short and long maturities.
- D) investors are more interested in the tax treatment of bonds than they are in the liquidity of bonds.

Answer: <https://biology-forums.com/index.php?topic=1818707>

Question 266

The "lemons problem" in the used car market arises from

- A) the difficulty U.S. producers have in making reliable cars.
- B) the difficulty buyers have in distinguishing good cars from lemons.
- C) the tendency of buyers of used cars to pay for them with bad checks.
- D) the reluctance of many car dealers to handle used cars.

Answer: <https://biology-forums.com/index.php?topic=1819163>

Question 267

An order from an exchange for a seller to add enough funds to meet the minimum balance in a margin account is called a

- A) maintenance margin.
- B) margin option.
- C) margin call.
- D) margin put.

Answer: <https://biology-forums.com/index.php?topic=1818944>

Question 268

Suppose that you own \$10,000 worth of stock in General Motors. Adding stock in which of the following companies would be least likely to reduce the risk in your portfolio?

- A) Google
- B) Walmart
- C) Ford
- D) General Electric

Answer: <https://biology-forums.com/index.php?topic=1818501>

Question 269

Sales finance companies

- A) purchase accounts receivable of small firms at a discount.
- B) sell commercial paper and buy long-term corporate bonds.
- C) take in deposits from savers and buy corporate commercial paper.
- D) are affiliated with companies which manufacture or sell goods.

Answer: <https://biology-forums.com/index.php?topic=1819460>

Question 270

Reserve requirements are changed

- A) more frequently than the discount rate is changed, but less frequently than open market operations are conducted.
- B) more frequently than the discount rate is changed and more frequently than open market operations are conducted.
- C) more frequently than open market operations are conducted, but less frequently than the discount rate is changed.
- D) less frequently than open market operations are conducted and less frequently than the discount rate is changed.

Answer: <https://biology-forums.com/index.php?topic=1819871>

Question 271

Which of the following is NOT included in M1?

- A) currency

- B) savings account deposits
- C) checking account deposits
- D) traveler's checks

Answer: <https://biology-forums.com/index.php?topic=1818343>

Question 272

According to the Gordon growth model, which of the following can cause the value of a stock to decline?

- A) higher expected growth rate of dividends
- B) increase in the current dividend
- C) increased systemic risk
- D) decreased required return on equity

Answer: <https://biology-forums.com/index.php?topic=1818766>

Question 273

The theory of purchasing power parity

- A) extends the law of one price to a group of goods.
- B) assumes that most changes in nominal exchange rates are the result of changes in real exchange rates.
- C) assumes that inflation rates are roughly the same in most countries.
- D) was valid only under the gold standard.

Answer: <https://biology-forums.com/index.php?topic=1819043>

Question 274

The impact lag facing the Fed is

- A) the delay before open market operations are able to affect the monetary base.
- B) the delay before the Fed's announcement of a new policy has an impact on the decisions of the public.
- C) the time required for monetary policy changes to affect output, employment, and prices.
- D) the delay before the impact of a recession on output and prices becomes clear to the Fed.

Answer: <https://biology-forums.com/index.php?topic=1819957>

Question 275

For index numbers like stock market indexes

- A) the numbers are measured in dollars and their values are meaningful by themselves.
- B) the numbers are measured in dollars and changes in their values are more important than the values themselves.
- C) the numbers are not measured in dollars or any other units and their values are meaningful by themselves.
- D) the numbers are not measured in dollars or any other units and changes in their values are more important than the values themselves.

Answer: <https://biology-forums.com/index.php?topic=1818751>

Question 276

An speculator who buys a fifty-year corporate bond

- A) must be expecting to still be alive in fifty years.
- B) is subject to substantial reinvestment risk.
- C) is probably expecting market interest rates to increase in the future.
- D) is probably expecting market interest rates to decrease in the future.

Answer: <https://biology-forums.com/index.php?topic=1818440>

Question 277

The principal-agent view of Fed motivation predicts that the Fed acts

- A) to promote the interests of the general public.
- B) to promote the interests of the Fed's principal—the President of the United States.
- C) in order to increase its power, influence, and prestige.
- D) in order to make sure its agents—commercial banks—carry out its wishes.

Answer: <https://biology-forums.com/index.php?topic=1819702>

Question 278

Which of the following is the largest component of M1?

- A) traveler's checks
- B) savings deposits
- C) checking deposits
- D) currency

Answer: <https://biology-forums.com/index.php?topic=1818344>

Question 279

When did Regulation Q finally disappear?

- A) 1934
- B) 1945
- C) 1986
- D) 2000

Answer: <https://biology-forums.com/index.php?topic=1819616>

Question 280

During most of the time in recent decades, the domestic government sector was

- A) a net borrower.
- B) a net lender.
- C) neither a borrower nor a lender.
- D) a major factor in keeping real interest rates low.

Answer: <https://biology-forums.com/index.php?topic=1818547>

Question 281

According to the Gordon growth model, what will be the percentage change in the value of the stock of a company whose current dividend is \$10.00 and whose dividends had been expected to grow by 3% per year but now are expected to grow by 1% per year?

- A) -4.0%
- B) -23.7%
- C) -31.1%
- D) -66.0%

Answer: <https://biology-forums.com/index.php?topic=1818770>

Question 282

Why are U.S. government securities referred to as a bank's secondary reserves?

- A) Their current market value may count toward meeting a bank's legal reserve requirements.
- B) They are very liquid.
- C) Banks are legally required to hold a certain minimum amount of these securities.
- D) They are the same thing as vault cash.

Answer: <https://biology-forums.com/index.php?topic=1819288>

Question 283

Noise trading refers to investors who

- A) overreact to good and bad news.
- B) strictly follow the efficient markets hypothesis.
- C) filter out the noise involved in following their stocks.
- D) ignore new information about stocks.

Answer: <https://biology-forums.com/index.php?topic=1818846>

Question 284

The Fed uses operating targets as well as intermediate targets because

- A) the Federal Reserve Act of 1913 requires it to do so.
- B) the Fed controls intermediate targets only indirectly.
- C) the public is much more unfamiliar with the variables used as operating targets, so for policy to be effective intermediate targets must also be announced.
- D) if one set of targets proves ineffective in attaining policy goals, the other set is available.

Answer: <https://biology-forums.com/index.php?topic=1819963>

Question 285

Which asset is sometimes referred to as a bank's secondary reserves?

- A) vault cash
- B) U.S. government securities
- C) repurchase agreements
- D) federal funds

Answer: <https://biology-forums.com/index.php?topic=1819286>

Question 286

Special Drawing Rights

- A) are granted by the Fed to banks which want to trade in the foreign exchange markets.
- B) were eliminated when the Bretton Woods system broke down.
- C) are created by the IMF in its role as lender of last resort.
- D) were created by the Nixon administration on August 15, 1971.

Answer: <https://biology-forums.com/index.php?topic=1820076>

Question 287

Financial instruments with high information costs

- A) will usually be more liquid than similar instruments with low information costs.
- B) will have lower yields than U.S. Treasury securities.
- C) may not be offered for sale in some states.
- D) will have lower prices than similar instruments with low information costs.

Answer: <https://biology-forums.com/index.php?topic=1818653>

Question 288

A specified amount of a claim that the insurance company does NOT need to pay is called

- A) coinsurance.
- B) a deductible.
- C) a copayment.
- D) a premium.

Answer: <https://biology-forums.com/index.php?topic=1819488>

Question 289

If the real interest rate is 2% and expected inflation is 2%, the nominal interest rate is

- A) 0%.
- B) 1%.
- C) 2%.
- D) 4%.

Answer: <https://biology-forums.com/index.php?topic=1818481>

Question 290

Southwest Airlines relies on jet fuel to operate its planes. If it chooses to hedge against future changes in fuel prices, what positions (long or short) will it take in the spot and futures markets?

Answer: <https://biology-forums.com/index.php?topic=1818951>

Question 291

In Sweden, cash accounts for _____ of transactions.

- A) only about 2 percent
- B) about 10 percent
- C) approximately 40 percent
- D) just under 90 percent

Answer: <https://biology-forums.com/index.php?topic=1818327>

Question 292

Why do households hold less in checking accounts than they once did?

Answer: <https://biology-forums.com/index.php?topic=1819313>

Question 293

If the U.S. dollar were to cease to be the leading international reserve currency

- A) U.S. households and businesses would be unaffected.
- B) U.S. households and businesses would be subject to increased exchange rate risk.
- C) interest rates in the U.S. would be lower.
- D) the U.S. monetary base would contract.

Answer: <https://biology-forums.com/index.php?topic=1820083>

Question 294

Explain the process by which prices of securities adjust so as to eliminate arbitrage profits.

Answer: <https://biology-forums.com/index.php?topic=1818455>

Question 295

The purpose of diversification is to

- A) increase the liquidity of a financial portfolio.
- B) reduce the brokerage fees involved in managing a financial portfolio.
- C) reduce risk.
- D) reduce tax liability.

Answer: <https://biology-forums.com/index.php?topic=1818208>

Question 296

Most of the TARP funds were used to

- A) fund a stimulus package.
- B) pay for losses incurred by Fannie Mae and Freddie Mac.
- C) finance the operations of the Federal Reserve.
- D) make direct purchases of preferred stock in banks to increase their capital.

Answer: <https://biology-forums.com/index.php?topic=1819588>

Question 297

The current account balance plus the financial account balance

- A) equals the trade balance.
- B) equals the net outflow of currency from the domestic economy.
- C) will be negative during economic expansions and positive during economic contractions.
- D) equals zero.

Answer: <https://biology-forums.com/index.php?topic=1820041>

Question 298

The interest rate at which international banks loan to each other is called the

- A) LIBOR.
- B) federal funds rate.
- C) prime rate.
- D) international bank lending rate.

Answer: <https://biology-forums.com/index.php?topic=1818998>

Question 299

Money market mutual funds

- A) hold portfolios of stocks.
- B) hold portfolios of short-term assets.
- C) are always load funds.
- D) hold only U.S. Treasury securities.

Answer: <https://biology-forums.com/index.php?topic=1819453>

Question 300

The efficient markets hypothesis implies that stock investments should have the same expected return after adjusting for

- A) risk.
- B) information costs.
- C) liquidity.
- D) all of the above.

Answer: <https://biology-forums.com/index.php?topic=1818839>

Question 301

Which of the following most accurately describes the behavior of the U.S. economy during the 2007-2009 recession?

- A) Aggregate demand fell as business investment and consumer spending declined, which put downward pressure on prices, shifting SRAS to the right.
- B) Aggregate demand fell primarily as a result of reduced consumption while aggregate supply increased due to continued growth in productivity.
- C) Aggregate demand fell due to a reduction in business investment while aggregate supply declined due to a reduction in productivity.
- D) Aggregate demand fell due to the bursting of the housing bubble while aggregate supply fell due to slower productivity growth.

Answer: <https://biology-forums.com/index.php?topic=1820190>

Question 302

Which of the following represented the largest liability on the balance sheet of U.S. commercial banks in 2016?

- A) checkable deposits
- B) loans
- C) nontransaction deposits
- D) borrowings

Answer: <https://biology-forums.com/index.php?topic=1819267>

Question 303

The required return on equity for an individual stock includes which of the following?

- A) systemic risk
- B) idiosyncratic risk
- C) risk-free interest rate
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=1818759>

Question 304

When someone in a country buys an asset abroad, the transaction is recorded

- A) in the current account.
- B) in the official settlements balance.
- C) in the financial account as a capital inflow.
- D) in the financial account as a capital outflow.

Answer: <https://biology-forums.com/index.php?topic=1820049>

Question 305

Fixed exchange rate regimes

- A) existed prior to the nineteenth century but were then superseded by the gold standard.
- B) lower the transactions costs of buying and selling goods and assets.
- C) result in higher world interest rates.
- D) were first established by the GATT in 1971.

Answer: <https://biology-forums.com/index.php?topic=1820084>

Question 306

Congress authorized the Second Bank of the United States partly in response to

- A) difficulty in funding the American Revolution.
- B) difficulty in funding the War of 1812.
- C) difficulty in funding the Industrial Revolution.
- D) difficulty in funding the Civil War.

Answer: <https://biology-forums.com/index.php?topic=1819672>

Question 307

In recent decades, the United States

- A) was essentially a closed economy.
- B) was generally a net borrower of foreign funds.
- C) was generally a net lender abroad.
- D) experienced a net outflow of savings.

Answer: <https://biology-forums.com/index.php?topic=1818609>

Question 308

Discuss what happened to the market prices on corporate securities relative to government securities during the Great Recession.

Answer: <https://biology-forums.com/index.php?topic=1818678>

Question 309

The demand for bonds is

- A) equivalent to the demand for loanable funds.
- B) equivalent to the supply of loanable funds.
- C) represented by an upward-sloping line when the price of bonds is on the vertical axis and the quantity of bonds demanded is on the horizontal axis.
- D) represented by a downward-sloping line when the interest rate is on the vertical axis and the quantity of bonds demanded is on the horizontal axis.

Answer: <https://biology-forums.com/index.php?topic=1818604>

Question 310

In the new Keynesian view, the larger the proportion of firms in the economy with sticky prices

- A) the steeper the SRAS curve will be.
- B) the flatter the SRAS curve will be.
- C) the greater the increase in the price level for a given shift in the AD curve.
- D) the less effective is fiscal policy in increasing output.

Answer: <https://biology-forums.com/index.php?topic=1820152>

Question 311

The difference between a firm's assets and its liabilities is known as

- A) limited liability.
- B) stock.
- C) equity.
- D) profit.

Answer: <https://biology-forums.com/index.php?topic=1818750>

Question 312

How does the relationship between housing prices and rental rates provide evidence for or against the existence of a housing bubble?

Answer: <https://biology-forums.com/index.php?topic=1819594>

Question 313

During and after the financial crisis of 2007-2009, the Fed greatly increased the supply of reserves through three rounds of quantitative easing by

- A) sales of both long-term Treasury securities and mortgage-backed securities.
- B) sales of long-term Treasury securities and purchases of mortgage-backed securities.
- C) purchases of both long-term Treasury securities and mortgage-backed securities.
- D) purchases of long-term Treasury securities and sales of mortgage-backed securities.

Answer: <https://biology-forums.com/index.php?topic=1819870>

Question 314

Which of the following is the most efficient means of trade?

- A) barter
- B) money
- C) government rationing
- D) the combination of barter with some government rationing

Answer: <https://biology-forums.com/index.php?topic=1818266>

Question 315

Suppose banks incur heavy losses and become more cautious, increasing their demand for reserve. Make use of a graph of the federal funds market to show how the Fed can use open market operations to maintain the same federal funds rate.

Answer: <https://biology-forums.com/index.php?topic=1819892>

Question 316

When nominal interest rates on financial assets are low, the opportunity cost of holding money is _____, so the quantity of money demanded by households and firms will be _____.

- A) high; high
- B) high; low
- C) low; high
- D) low; low

Answer: <https://biology-forums.com/index.php?topic=1818587>

Question 317

If investors are becoming concerned that investments in Argentina are at increased risk of default, these investors would be inclined to _____ Argentine pesos, _____ the value of the Argentine peso relative to other currencies.

- A) buy; raising
- B) buy; lowering
- C) sell; raising
- D) sell; lowering

Answer: <https://biology-forums.com/index.php?topic=1819069>

Question 318

What is the most important factor for Federal Reserve currency to be accepted as money?

- A) its acceptance by businesses and households in the United States in exchange for goods and services
- B) its designation as legal tender by the federal government
- C) the willingness of the federal government to accept it in exchange for an equivalent amount of gold or silver coins
- D) the willingness of foreign businesses and banks to accept it in exchange for goods and services

Answer: <https://biology-forums.com/index.php?topic=1818297>

Question 319

Which of the following is NOT a significant cost that a barter system imposes on an economy?

- A) Many prices must be maintained for each good.
- B) Only agricultural goods may be traded.
- C) Specialization of labor is hindered.
- D) The costs arising from the problem of finding two people who each want what the other produces.

Answer: <https://biology-forums.com/index.php?topic=1818265>

Question 320

The problem of moral hazard

- A) is considerably more serious when an investor buys a firm's bonds than when the investor buys a firm's stock.
- B) is considerably more serious when an investor buys a firm's stock than when the investor buys a firm's bonds.
- C) is equally serious whether an investor buys a firm's bonds or a firm's stock.
- D) is nonexistent for investors who buy corporate bonds or stock.

Answer: <https://biology-forums.com/index.php?topic=1819220>

Question 321

An increase in the price level reduces net exports because

- A) it leads indirectly to a higher exchange rate.
- B) it leads indirectly to a lower exchange rate.
- C) it leads indirectly to a lower real interest rate.
- D) it leads directly to higher real money balances.

Answer: <https://biology-forums.com/index.php?topic=1820114>

Question 322

Securities that banks sell and agree to repurchase are known as

- A) federal funds.
- B) discount loans.
- C) repurchase agreements.
- D) NOW accounts.

Answer: <https://biology-forums.com/index.php?topic=1819265>

Question 323

A firm's principals are its

- A) shareholders.
- B) management.
- C) values.
- D) customers.

Answer: <https://biology-forums.com/index.php?topic=1819196>

Question 324

If the Fed sells \$1 billion of short-term securities issued by the Bank of Japan and at the same time purchases \$1 billion of short-term securities issued by the U.S. Treasury

- A) the monetary base will decline by \$1 billion.
- B) the monetary base will rise by \$1 billion.
- C) the Fed has conducted an unsterilized foreign-exchange intervention.
- D) the Fed has conducted a sterilized foreign-exchange intervention.

Answer: <https://biology-forums.com/index.php?topic=1820012>

Question 325

Which of the following is NOT an example of off-balance-sheet lending?

- A) a swap
- B) a standby letter of credit
- C) a loan commitment
- D) a loan sale

Answer: <https://biology-forums.com/index.php?topic=1819378>

Question 326

Make use of the misperceptions theory to explain why the short-run aggregate supply curve is upward sloping.

Answer: <https://biology-forums.com/index.php?topic=1820164>

Question 327

The choice between futures and options

- A) depends on whether the underlying instrument is a debt instrument or an equity.
- B) reflects a trade-off between the higher cost of using options and the extra insurance benefits that options provide.
- C) reflects a trade-off between the higher cost of using futures and the extra insurance benefits that futures provide.
- D) reflects a trade-off between the greater risk from using options and the extra insurance benefits that options provide.

Answer: <https://biology-forums.com/index.php?topic=1818971>

Question 328

Finance companies

- A) issue stock and use the proceeds to purchase bonds.
- B) raise funds in financial markets to lend to households and firms.
- C) raise funds from banks to lend to households and firms.
- D) issue bonds and use the proceeds to purchase stock.

Answer: <https://biology-forums.com/index.php?topic=1819454>

Question 329

In the long run, the key reason that money is neutral is that

- A) the federal budget is balanced.
- B) prices are flexible.
- C) business cycles have become much milder.
- D) the nominal interest rate must equal the real interest rate.

Answer: <https://biology-forums.com/index.php?topic=1820183>

Question 330

What are the reasons why disclosure by the SEC does not eliminate the information costs of adverse selection?

Answer: <https://biology-forums.com/index.php?topic=1819238>

Question 331

Which president said, "Prosperity is just around the corner"?

- A) Herbert Hoover near the start of the Great Depression
- B) Franklin Delano Roosevelt near the start of the Great Depression
- C) George W. Bush near the start of the Great Recession
- D) Barack Obama near the start of the Great Recession

Answer: <https://biology-forums.com/index.php?topic=1818234>

Question 332

Which of the following statements is correct?

- A) The discount rate is determined by market forces.
- B) The Fed's control over discount lending is more complete than its control over open market operations.
- C) Decisions by both banks and the Fed determine the volume of discount loans.
- D) The discount rate is typically greater than other short-term market interest rates.

Answer: <https://biology-forums.com/index.php?topic=1819780>

Question 333

Which of the following is most likely to lead to an increase in the value of the dollar?

- A) decline in U.S. interest rates
- B) increase in imports to the United States
- C) decrease in exports from the United States
- D) increase in U.S. interest rates compared to foreign interest rates

Answer: <https://biology-forums.com/index.php?topic=1819096>

Question 334

Which of the following would NOT cause a shift in the IS curve?

- A) an increase in the domestic real interest rate
- B) an increase in consumer confidence
- C) a decrease in the expected future profitability of capital
- D) a decrease in government purchases

Answer: <https://biology-forums.com/index.php?topic=1820216>

Question 335

If lenders anticipate no changes in liquidity, information costs, and tax differences, the yield on a risky security should be

- A) greater than that on a safe security and the price of a risky security should also be greater than that of a safe security.
- B) less than that on a safe security and the price of a risky security should also be less than that of a safe security.
- C) greater than that on a safe security and the price of a risky security should be lower than that of a safe security.
- D) less than that on a safe security and the price of a risky security should be greater than that on a safe security.

Answer: <https://biology-forums.com/index.php?topic=1818645>

Question 336

The movement to set up a central bank in the United States was spurred by the financial panic that occurred in

- A) 1816.
- B) 1907.
- C) 1929.
- D) 1987.

Answer: <https://biology-forums.com/index.php?topic=1819626>

Question 337

If oil prices fall at the same time that the federal government increases its purchases, in the short run

- A) aggregate output and the price level will both increase.
- B) aggregate output will increase, but the price level will fall.
- C) aggregate output and the price level will both fall.
- D) aggregate output will increase, but the price level may either increase or decrease.

Answer: <https://biology-forums.com/index.php?topic=1820174>

Question 338

Which of the following does NOT lead to an increase in potential GDP?

- A) labor force grows
- B) technological change takes place
- C) new machinery and equipment are installed
- D) aggregate expenditures increase

Answer: <https://biology-forums.com/index.php?topic=1820219>

Question 339

An increase in the price level

- A) shifts the short-run aggregate supply curve up and to the left.
- B) shifts the short-run aggregate supply curve down and to the right.
- C) shifts the long-run aggregate supply curve to the left.
- D) results in a movement along the short-run aggregate supply curve, rather than a shift in the short-run aggregate supply curve.

Answer: <https://biology-forums.com/index.php?topic=1820158>

Question 340

Which of the following is NOT true of adverse selection?

- A) It would not exist in a world of perfect information.
- B) It arises because borrowers typically know more than lenders.
- C) It describes a lender's problem of distinguishing the good-risk applicants from the bad-risk applicants.
- D) It describes a lender's problem in verifying borrowers are using their funds as intended.

Answer: <https://biology-forums.com/index.php?topic=1819159>

Question 341

To deal with difficulties in administering pension funds, Congress in 1974 passed the

- A) Corrupt Pension Fund Reform Act.
- B) Securities and Exchange Act.
- C) Employee Retirement Income Security Act.
- D) Social Security Act.

Answer: <https://biology-forums.com/index.php?topic=1819486>

Question 342

The rapid increase in bank reserves that began in 2008 was a result of

- A) the Fed printing money.
- B) banks making more loans.
- C) an increase in the number of commercial banks.
- D) the Fed purchasing assets.

Answer: <https://biology-forums.com/index.php?topic=1819774>

Question 343

Which of the following is NOT an example of a supply shock?

- A) a drought in the Midwest
- B) a decline in natural gas prices following discovery of new fields
- C) the introduction of a new line of computer-controlled machine tools in manufacturing
- D) a substantial increase in federal government spending on Medicare

Answer: <https://biology-forums.com/index.php?topic=1820163>

Question 344

Which of the following is NOT a nontransaction deposit?

- A) a money market deposit account
- B) a certificate of deposit
- C) a savings account
- D) a NOW account

Answer: <https://biology-forums.com/index.php?topic=1819270>

Question 345

Which of the following expressions gives the present value of future dividends for a company whose current dividend is \$5.00 and whose future dividends are expected to grow at rate g ?

- A) $[\$5.00(1 - g)]/(i - g)$
- B) $[\$5.00(1 + g)]/(i + g)$
- C) $[\$5.00(1 - g)]/(i + g)$
- D) $[\$5.00(1 + g)]/(i - g)$

Answer: <https://biology-forums.com/index.php?topic=1818769>

Question 346

Open market operations generally involve

- A) the Fed making discount loans to depository institutions.
- B) the Fed buying and selling common stock in order to affect the liquidity of the stock market.
- C) the Fed buying and selling U.S. government securities.
- D) private investors buying and selling securities directly on exchanges, rather than through brokers.

Answer: <https://biology-forums.com/index.php?topic=1819755>

Question 347

What are four inefficiencies of a barter system?

Answer: <https://biology-forums.com/index.php?topic=1818275>

Question 348

Which of the following is NOT a result of the ability of investors to hedge?

- A) increased access to funds by firms and households
- B) investors are more willing to invest

- C) increased risk aversion
- D) slower economic growth

Answer: <https://biology-forums.com/index.php?topic=1818869>

Question 349

The process by which simultaneous withdrawals by a particular bank's depositors results in the bank closing is known as a

- A) contagion.
- B) bank run.
- C) financial crisis.
- D) bank panic.

Answer: <https://biology-forums.com/index.php?topic=1819514>

Question 350

Which of the following best describes a policy of inflation targeting?

- A) It's an inflexible rule that requires the central bank to always achieve a specified inflation rate.
- B) It allows monetary policy to focus on inflation and inflation forecasts except in the case of severe recession.
- C) It allows the central bank the flexibility of setting different inflation targets each year.
- D) It requires central banks to target current inflation rather than inflation forecasts.

Answer: <https://biology-forums.com/index.php?topic=1819974>

Question 351

During the years from 1964 to 1969, inflation increased in the United States

- A) when the AD curve shifted to the right, even though the SRAS curve remained stable.
- B) when the SRAS curve shifted to the left, even though the AD curve remained stable.
- C) when the AD curve shifted to the right and the SRAS curve shifted up and to the left.
- D) despite the AD and SRAS curves remaining stable.

Answer: <https://biology-forums.com/index.php?topic=1820186>

Question 352

Monetary policy refers to the government's

- A) decisions on how much money to spend.
- B) decisions on how much money to collect in taxes.
- C) plans for retiring the national debt.
- D) management of the money supply and interest rates to achieve macroeconomic objectives.

Answer: <https://biology-forums.com/index.php?topic=1818206>

Question 353

More than three-quarters of the value of all U.S. currency consists of

- A) \$1 bills.
- B) \$20 bills.
- C) \$50 bills.
- D) \$100 bills.

Answer: <https://biology-forums.com/index.php?topic=1818305>

Question 354

A stress test of banks, such as that undertaken in the Spring of 2009, is designed to

- A) ensure that banks have followed proper accounting standards.
- B) make sure that banks are properly managed.
- C) gauge how well banks would fare if the economy worsens.
- D) estimate the impact of a bank panic on the overall economy.

Answer: <https://biology-forums.com/index.php?topic=1819591>

Question 355

A shift of the AD curve

- A) to the right is considered expansionary, and a shift to the left is considered contractionary.
- B) to the left is considered expansionary, and a shift to the right is considered contractionary.
- C) to the right or to the left is considered contractionary.
- D) to the right or to the left is considered expansionary.

Answer: <https://biology-forums.com/index.php?topic=1820115>

Question 356

If insurance is available on an activity

- A) more of that activity will occur.
- B) less of that activity will occur.
- C) investors will be less likely to hedge.
- D) it increases the risk of engaging in that activity.

Answer: <https://biology-forums.com/index.php?topic=1818868>

Question 357

Which of the following statements concerning stabilization policy is correct?

- A) Increasing government spending during an economic boom would be an example of a stabilization policy.
- B) Increasing taxes during a recession would be an example of a stabilization policy.
- C) New Keynesian economists are skeptical of the value of stabilization policies.
- D) Increasing the money supply during a recession is an example of a stabilization policy.

Answer: <https://biology-forums.com/index.php?topic=1820196>

Question 358

Why are many economists skeptical of the Fed's ability to fine tune the economy?

- A) Monetary policy only affects output in the long run.
- B) Lags in policy make it difficult to properly time policy.
- C) Fiscal policy can be implemented more quickly than monetary policy.
- D) Monetary policy does not have any effect on output.

Answer: <https://biology-forums.com/index.php?topic=1820194>

Question 359

When the Fed raised its target for the federal funds rate in 2015, it set the interest rate it pays on overnight reverse repurchase agreements at

- A) 0%.
- B) 0.25%.
- C) 0.50%.
- D) 1.25%.

Answer: <https://biology-forums.com/index.php?topic=1819942>

Question 360

Standby letters of credit

- A) are a form of swaps.
- B) are a promise by a bank to lend the borrower funds to pay off its maturing commercial paper.
- C) are a promise by a large depositor to provide additional funds to a bank should the bank face an unexpectedly large deposit outflow.
- D) represent the unused balance on a bank credit card.

Answer: <https://biology-forums.com/index.php?topic=1819381>

Question 361

During the financial crisis of 2007-2009, the VIX

- A) remained relatively stable.
- B) fell to zero.
- C) recorded negative values for the first time in history.
- D) reached a level of 80.

Answer: <https://biology-forums.com/index.php?topic=1818973>

Question 362

On a bank's balance sheet, "borrowings" are

- A) loans to households.
- B) loans to businesses.
- C) nondeposit liabilities.
- D) U.S. Treasury securities.

Answer: <https://biology-forums.com/index.php?topic=1819274>

Question 363

How do defined-contribution plans differ from defined-benefit plans?

Answer: <https://biology-forums.com/index.php?topic=1819492>

Question 364

Which of the following is NOT a fixed payment loan?

- A) a home mortgage
- B) a car loan
- C) a U.S. Treasury note
- D) a student loan

Answer: <https://biology-forums.com/index.php?topic=1818406>

Question 365

Which of the following is NOT a characteristic of competitive markets?

- A) They produce a standardized product.
- B) Purchases and sales of individual traders are small relative to the total volume traded.
- C) Prices adjust quickly.
- D) There are relatively few sellers.

Answer: <https://biology-forums.com/index.php?topic=1820147>

Question 366

If the prices of financial assets follow a random walk, then

- A) they should be easy to forecast, provided market participants have rational expectations.
- B) they should be easy to forecast, provided market participants have adaptive expectations.
- C) the change in price from one trading period to the next is not predictable.
- D) major traders in the market must not be making use of all available information about the assets.

Answer: <https://biology-forums.com/index.php?topic=1818795>

Question 367

Suppose that a slice of pepperoni pizza costs £1 in London and \$2 in San Francisco. If the real exchange rate is one-third of a slice of U.S. pizza for one slice of British pizza, how many pounds should you receive in exchange for \$1?

- A) 1/3
- B) 1.5
- C) 2
- D) 3

Answer: <https://biology-forums.com/index.php?topic=1819016>

Question 368

Depository institutions such as savings and loans have deposits with the Fed that _____, and financial institutions such as Fannie Mae have deposits with the Fed that _____.

- A) receive interest; also receive interest
- B) receive interest; do not receive interest
- C) do not receive interest; receive interest
- D) do not receive interest; also do not receive interest

Answer: <https://biology-forums.com/index.php?topic=1819943>

Question 369

A system of barter has substantial transactions costs because

- A) taxes under such a system are generally a large fraction of the value of output.
- B) traders must spend considerable time searching for trading partners.
- C) the uncertainties of trade result in high legal fees being incurred to draw up binding contracts.
- D) the uncertainties of trade result in high insurance premiums.

Answer: <https://biology-forums.com/index.php?topic=1818260>

Question 370

The "lemons problem" exists in the market for goods because

- A) sellers tend to try to take advantage of buyers.
- B) buyers tend to try to take advantage of sellers.
- C) of the differences in the quality of the goods being exchanged.
- D) of moral hazard.

Answer: <https://biology-forums.com/index.php?topic=1819164>

Question 371

A simple loan involves

- A) interest payments from the borrower to the lender periodically during the life of the loan.
- B) no payment of interest by the borrower to the lender.
- C) payment of interest by the borrower to the lender only at the time the loan matures.
- D) payment only of principal by the borrower to the lender at maturity.

Answer: <https://biology-forums.com/index.php?topic=1818393>

Question 372

In managing the monetary base, the Fed most often uses

- A) open market operations.
- B) printing money.
- C) discount loans.
- D) tax increases.

Answer: <https://biology-forums.com/index.php?topic=1819776>

Question 373

The term structure is usually defined with yields on which securities?

- A) corporate bonds
- B) commercial paper
- C) U.S. Treasury securities
- D) municipal bonds

Answer: <https://biology-forums.com/index.php?topic=1818686>

Question 374

Which of the following is NOT a result of the double taxation of dividends?

- A) Because profits that firms distribute to stockholders are taxed a second time, firms have an incentive to retain profits rather than to distribute them to stockholders.
- B) The return investors receive from buying stocks is reduced, which reduces the incentive people have to save in the form of stock investments and increases the costs to firms of raising funds.
- C) It gives firms an incentive to take on what may be an excessive level of debt rather than issue stock.
- D) The decline in retained profits results in increased inefficiency.

Answer: <https://biology-forums.com/index.php?topic=1818773>

Question 375

What type of economic research do analysts at investment banks conduct?

Answer: <https://biology-forums.com/index.php?topic=1819443>

Question 376

Interest rate fluctuations

- A) are usually not considered to be of much importance and are largely ignored by the Fed.
- B) have the paradoxical effect of increasing the rate of economic growth.
- C) make it difficult for households and firms to plan for the future.
- D) have largely been eliminated by the Fed during the past two decades.

Answer: <https://biology-forums.com/index.php?topic=1819854>

Question 377

What is the current limit on balances that are covered by federal deposit insurance?

- A) \$100,000
- B) \$250,000
- C) \$500,000
- D) \$1,000,000

Answer: <https://biology-forums.com/index.php?topic=1819273>

Question 378

If the Fed purchases \$50,000 in T-bills from a bank, by how much will the bank's excess reserves increase?

- A) by \$50,000
- B) by \$50,000 times the required reserve ratio

C) by \$50,000 divided by the required reserve ratio
D) Not enough information has been provided to answer the question.
Answer: <https://biology-forums.com/index.php?topic=1819795>

Question 379

Money that has no value apart from its use as money
A) is known as commodity money.
B) is known as fiat money.
C) will result in a return to a barter system.
D) will result in rapid inflation.
Answer: <https://biology-forums.com/index.php?topic=1818301>

Question 380

What is included in the public statement released by the FOMC following the conclusion of its meeting?
Answer: <https://biology-forums.com/index.php?topic=1819691>

Question 381

Default risk arises from the fact that
A) borrowers differ in their ability to repay in full the principal and interest required by a bond agreement.
B) the bond price drops when interest rates rise.
C) it is inherently riskier to wait for a capital gain than to receive an immediate interest payment.
D) interest rates are far more likely to go up than to go down.
Answer: <https://biology-forums.com/index.php?topic=1818627>

Question 382

Why may investors buy a Treasury bill with a negative real interest rate?
A) fear of rising inflation
B) concern about high yields on other bonds
C) fear of default by the U.S. government
D) concern about the high default risk of alternative investments
Answer: <https://biology-forums.com/index.php?topic=1818475>

Question 383

The second stage in the regulatory process is
A) a crisis.
B) regulation.
C) response by the financial system.
D) regulatory response.
Answer: <https://biology-forums.com/index.php?topic=1819597>

Question 384

Suppose the required reserve ratio is 8% and that banks hold no excess reserves and the public does not change its currency holdings. If the Fed sells \$5 million worth of securities, what happens to the amount of deposits in the banking system?
Answer: <https://biology-forums.com/index.php?topic=1819805>

Question 385

What are the seven key factors that cause the aggregate demand curve to shift?
Answer: <https://biology-forums.com/index.php?topic=1820130>

Question 386

Which of the following is when an investment bank purchases securities outright in case it misjudged the state of the market and it may have to sell the securities at a lower price than what was guaranteed?
A) credit risk
B) liquidity risk
C) principal risk
D) default risk
Answer: <https://biology-forums.com/index.php?topic=1819414>

Question 387

John Smith leaves his job in New York to go to California in hopes of finding a better one. If John Smith is unemployed while searching for a job in California, economists would consider him to be

- A) frictionally unemployed.
- B) structurally unemployed.
- C) cyclically unemployed.
- D) naturally unemployed.

Answer: <https://biology-forums.com/index.php?topic=1819845>

Question 388

Investors often pay professional analysts to gather and monitor information on the creditworthiness of borrowers because

- A) federal law requires it.
- B) most investors are risk neutral.
- C) the cost of acquiring information about a borrower's creditworthiness can be high.
- D) doing so increases the net-of-tax yield on most investments.

Answer: <https://biology-forums.com/index.php?topic=1818637>

Question 389

Loanable funds refers to

- A) only those funds loaned from one bank to another.
- B) only those funds loaned to banks by the Federal Reserve.
- C) only those funds loaned by banks to private individuals.
- D) all those funds changing hands between lenders and borrowers in the bond market.

Answer: <https://biology-forums.com/index.php?topic=1818601>

Question 390

If a bank grants you a mortgage, the mortgage is

- A) an asset to you as well as an asset to the bank.
- B) an asset to you, but a liability to the bank.
- C) a liability to you, but an asset to the bank.
- D) a liability to you as well as a liability to the bank.

Answer: <https://biology-forums.com/index.php?topic=1818193>

Question 391

When market participants have adaptive expectations

- A) they use all information available to them.
- B) they only slowly adjust their expectations to news which could affect prices or returns.
- C) they are more likely to make accurate forecasts than if they have rational expectations.
- D) they are able to forecast interest rates more accurately than inflation rates.

Answer: <https://biology-forums.com/index.php?topic=1818785>

Question 392

Currently, the dominant reserve currency is the

- A) U.S. dollar.
- B) Japanese yen.
- C) euro.
- D) British pound.

Answer: <https://biology-forums.com/index.php?topic=1820080>

Question 393

An increase in the expected profitability of investment will cause

- A) the IS curve to shift right.
- B) the IS curve to shift left.
- C) the MP curve to shift upward.
- D) the MP curve to shift downward.

Answer: <https://biology-forums.com/index.php?topic=1820224>

Question 394

Why did Goldman Sachs and Morgan Stanley seek to become financial holding companies in October 2008?

Answer: <https://biology-forums.com/index.php?topic=1819447>

Question 395

If there is an excess demand for bonds at a given price of bonds, then

- A) the interest rate will fall.
- B) the interest rate will rise.
- C) the price of bonds will fall.
- D) the interest rate may rise or the interest rate may fall depending upon the reasons for the excess demand for bonds.

Answer: <https://biology-forums.com/index.php?topic=1818524>

Question 396

According to the new classical view, aggregate output will differ from full-employment output

- A) whenever saving does not equal investment.
- B) only if the actual price level does not equal the expected price level.
- C) only if the federal government's expenditures are greater than its tax receipts.
- D) whenever imports exceed exports.

Answer: <https://biology-forums.com/index.php?topic=1820144>

Question 397

Why did fewer state banks choose to become or remain members of the Federal Reserve System during the 1960s and 1970s?

- A) Nominal interest rates rose.
- B) The required reserve ratio rose.
- C) The discount rate rose.
- D) Open market operations declined.

Answer: <https://biology-forums.com/index.php?topic=1819653>

Question 398

All of the following are examples of borrowings by a bank EXCEPT

- A) federal funds.
- B) repurchase agreements.
- C) discount loans.
- D) commercial loans.

Answer: <https://biology-forums.com/index.php?topic=1819268>

Question 399

Analyze the following statement: "I know the fact that prices have started to rise rapidly seems like bad news, but at least prices starting to go up means that output must be starting to go up as well."

Answer: <https://biology-forums.com/index.php?topic=1820193>

Question 400

Throughout most of the post-World War II period, the use of capital controls by governments around the world was declining. But in the late 1990s, a number of governments expressed renewed interest in capital controls. What accounts for this renewed interest?

Answer: <https://biology-forums.com/index.php?topic=1820034>

Question 401

Above-normal returns on stock investments can be expected by investors who

- A) possess inside information.
- B) are wealthy enough to hold the stock of many different companies in their portfolios.
- C) are risk seeking.
- D) concentrate their investments in one or two stocks.

Answer: <https://biology-forums.com/index.php?topic=1818807>

Question 402

An increase in oil prices will

- A) shift the short-run aggregate supply curve up and to the left.
- B) shift the short-run aggregate supply curve down and to the right.
- C) cause a movement along the short-run aggregate supply curve.
- D) not affect the short-run aggregate supply curve.

Answer: <https://biology-forums.com/index.php?topic=1820156>

Question 403

The third round of quantitative easing, announced in September 2012, was focused on purchases of

- A) short-term Treasury bills.
- B) long-term Treasury notes.
- C) long-term Treasury notes and sales of short-term Treasury bills.
- D) mortgage-backed securities.

Answer: <https://biology-forums.com/index.php?topic=1819937>

Question 404

Under the gold standard, if the demand for U.S. goods increased, which of the following would happen?

- A) Gold would flow into the United States.
- B) The U.S. monetary base would decline.
- C) Prices in the United States would fall.
- D) The United States would experience a balance of trade deficit.

Answer: <https://biology-forums.com/index.php?topic=1820059>

Question 405

As wealth decreases in the economy, savers are likely to

- A) hold less cash relative to their holdings of bonds.
- B) buy more bonds at any given price.
- C) lend more at any given interest rate.
- D) lend less at any given interest rate.

Answer: <https://biology-forums.com/index.php?topic=1818527>

Question 406

The financial system provides risk sharing by allowing

- A) borrowers to obtain funds either directly or indirectly.
- B) savers to earn interest tax-free.
- C) borrowers to convert liabilities into assets.
- D) savers to hold many assets.

Answer: <https://biology-forums.com/index.php?topic=1818209>

Question 407

The price of a financial asset equals the

- A) future value of all payments.
- B) sum of all payments.
- C) present value of all future payments.
- D) difference between the future value and present value of all payments.

Answer: <https://biology-forums.com/index.php?topic=1818384>

Question 408

If the required reserve ratio is 5%, what is the value of the simple deposit multiplier?

- A) 0.05
- B) 0.20
- C) 5
- D) 20

Answer: <https://biology-forums.com/index.php?topic=1819801>

Question 409

The proposition of monetary neutrality states that changes in the money supply have

- A) no impact on output in the short run.
- B) no impact on output in the long run.
- C) no impact on the price level in the short run.
- D) no impact on the price level in the long run.

Answer: <https://biology-forums.com/index.php?topic=1820189>

Question 410

The total payment to a lender for a one-period simple loan is

- A) $(P + i)^n$.
- B) $P + i$.
- C) $i(1 + i)$.
- D) $P(1 + i)$.

Answer: <https://biology-forums.com/index.php?topic=1818395>

Question 411

About what percentage of bank assets was made up of cash items in 2016?

- A) 11%
- B) 22%
- C) 37%
- D) 59%

Answer: <https://biology-forums.com/index.php?topic=1819284>

Question 412

According to the efficient markets hypothesis, prices of securities

- A) change infrequently.
- B) change frequently to reflect news about changes in the fundamental values of the securities.
- C) change frequently as evaluations of existing information about the securities change.
- D) are not allowed, under federal securities laws, to change more frequently than once a month.

Answer: <https://biology-forums.com/index.php?topic=1818801>

Question 413

Simple loans and discount bonds differ from coupon bonds and fixed-payment loans in that

- A) interest on simple loans and discount bonds is taxable, while interest on coupon bonds and fixed-payment loans is not.
- B) interest on coupon bonds and fixed-payment loans is taxable, while interest on simple loans and discount bonds is not.
- C) interest rates on simple loans and discount bonds are generally higher than interest rates on comparable coupon bonds and fixed-payment loans.
- D) interest on simple loans and discount bonds is paid in a single payment, while issuers of coupon bonds and fixed-payment loans make multiple payments of interest and principal.

Answer: <https://biology-forums.com/index.php?topic=1818389>

Question 414

Reserve requirements are set by

- A) the Secretary of Treasury.
- B) the president.
- C) Congress.
- D) the Fed.

Answer: <https://biology-forums.com/index.php?topic=1819865>

Question 415

As of August 2016, which of the following was TRUE?

- A) deposits of foreign governments and international organizations > bank reserves > currency in circulation
- B) currency in circulation > bank reserves > deposits of foreign governments and international organizations
- C) bank reserves > currency in circulation > deposits of foreign government and international organizations
- D) currency in circulation > deposits of foreign governments and international organizations > bank reserves

Answer: <https://biology-forums.com/index.php?topic=1819745>

Question 416

How many times has the Fed changed reserve requirements since 1993?

- A) never
- B) about once a year
- C) only once
- D) only twice

Answer: <https://biology-forums.com/index.php?topic=1819872>

Question 417

A depreciating nominal exchange rate results from

- A) a depreciating real exchange rate.
- B) a low domestic inflation rate relative to the foreign inflation rate.
- C) an appreciating real exchange rate.

D) a large government budget deficit.

Answer: <https://biology-forums.com/index.php?topic=1819020>

Question 418

What is the name of the entity, composed of Federal Reserve district bankers, that consults on monetary policy?

- A) The Federal Open Market Committee
- B) The Federal Advisory Council
- C) The Monetary Policy Council
- D) The District Bank Committee

Answer: <https://biology-forums.com/index.php?topic=1819650>

Question 419

If the price level in the United States increases more slowly than the price level in Canada, we would expect

- A) interest rates in the United States to be higher than interest rates in Canada.
- B) the U.S. dollar to depreciate against the Canadian dollar.
- C) the Canadian dollar to depreciate against the U.S. dollar.
- D) U.S. productivity to have increased more slowly than Canadian productivity.

Answer: <https://biology-forums.com/index.php?topic=1819036>

Question 420

The equilibrium real interest rate in Belgium will be

- A) generally above the world real interest rate.
- B) generally below the world real interest rate.
- C) equal to the world real interest rate.
- D) determined by the equilibrium between desired domestic saving and desired domestic investment.

Answer: <https://biology-forums.com/index.php?topic=1818614>

Question 421

Suppose the required reserve ratio is 8% and banks do not hold excess reserves. Illustrate on a bank's balance sheet what happens if the Fed buys \$250,000 worth of securities from a bank.

Answer: <https://biology-forums.com/index.php?topic=1819808>

Question 422

Consider an open economy that is a net borrower (like the United States). What would be the impact of a shift to a closed economy?

- A) domestic interest rates would decline
- B) domestic savings would decline
- C) domestic investment would decline
- D) net borrowing would increase

Answer: <https://biology-forums.com/index.php?topic=1818619>

Question 423

Which of the following is NOT a fixed-payment loan?

- A) mortgage
- B) car loan
- C) student loan
- D) corporate bond

Answer: <https://biology-forums.com/index.php?topic=1818414>

Question 424

Explicit provisions in a loan agreement that prohibit the borrower from engaging in certain activities is called

- A) credit rationing.
- B) restrictive covenants.
- C) credit-risk analysis.
- D) adverse selection.

Answer: <https://biology-forums.com/index.php?topic=1819370>

Question 425

If the German interest rate is 4% and the U.S. interest rate is 5%, what is the expected change in the value of the dollar in terms of the euro?

- A) -9%

- B) -1%
- C) 1%
- D) 9%

Answer: <https://biology-forums.com/index.php?topic=1819087>

Question 426

Suppose that your marginal federal income tax rate is 30%, the sum of your marginal state and local tax rates is 5%, and the yield on thirty-year U.S. Treasury bonds is 10%. You would be indifferent between buying a thirty-year Treasury bond and buying a thirty-year municipal bond issued within your state (ignoring differences in liquidity, risk, and costs of information) if the municipal bond has a yield of

- A) 6.5%.
- B) 7.0%.
- C) 9.5%.
- D) 10.0%.

Answer: <https://biology-forums.com/index.php?topic=1818661>

Question 427

The Fed tends not to use discount policy as its principal tool in influencing the money supply since

- A) discount loans do not affect the money supply.
- B) it does not have as much control over discount loans as it has on open market operations.
- C) it is prohibited from doing so by an act of Congress.
- D) it prefers to use reserve requirements.

Answer: <https://biology-forums.com/index.php?topic=1819930>

Question 428

Which of the following can best be characterized as a "Black Swan" event?

- A) decline in stock prices due to a recession
- B) rising market interest rates as the Fed tightens monetary policy
- C) a financial crisis causing credit to dry up
- D) an individual firm unexpectedly filing for bankruptcy

Answer: <https://biology-forums.com/index.php?topic=1818490>

Question 429

The only state to have two Federal Reserve District Banks is

- A) Pennsylvania.
- B) Missouri.
- C) California.
- D) Texas.

Answer: <https://biology-forums.com/index.php?topic=1819639>

Question 430

Which of the following statements is correct?

- A) Dynamic open market operations are carried out to offset fluctuations in the monetary base.
- B) Defensive open market operations are carried out to change monetary policy.
- C) The volume of defensive open market operations is much greater than the volume of dynamic open market operations.
- D) Defensive open market operations are usually carried out through outright purchases or sales.

Answer: <https://biology-forums.com/index.php?topic=1819916>

Question 431

Which of the following is NOT considered a receipt in the balance of payments?

- A) exports of goods
- B) capital inflows
- C) import of services
- D) unilateral transfers to U.S. citizens

Answer: <https://biology-forums.com/index.php?topic=1820043>

Question 432

If the Fed purchases \$1 million in securities from the nonbank public, the monetary base will rise by \$1 million

- A) if the public holds the proceeds as currency.
- B) if the public deposits the proceeds as checkable deposits.
- C) if the public deposits the proceeds with the Treasury in a monetary base account.

D) whether the public holds the proceeds as currency or deposits them as checkable deposits.

Answer: <https://biology-forums.com/index.php?topic=1819758>

Question 433

Vesting refers to

- A) the right of the holder of an insurance policy to collect for an insurable event.
- B) the shielding of returns on whole life policies from taxation.
- C) the length of service required of an employee before he or she is eligible for a pension.
- D) the payments made by an employee into a pension plan.

Answer: <https://biology-forums.com/index.php?topic=1819483>

Question 434

Which of the following statements about the presence of speculators in futures markets is correct?

- A) Their main objective is to reduce their exposure to risk.
- B) They aid hedgers by increasing the liquidity in futures markets.
- C) They make it difficult for hedgers to find someone to take the opposite side of their positions.
- D) Once a futures market participant is known to be a speculator, he or she is no longer allowed to participate in the market.

Answer: <https://biology-forums.com/index.php?topic=1818915>

Question 435

How can a bond investor hedge against a possible bear market in bonds?

- A) sell futures contracts on Treasury notes
- B) buy futures contracts on Treasury notes
- C) going long in the spot market
- D) going short in the spot market

Answer: <https://biology-forums.com/index.php?topic=1818943>

Question 436

Who organized the Bank of the United States?

- A) Alexander Hamilton
- B) George Washington
- C) Andrew Jackson
- D) Woodrow Wilson

Answer: <https://biology-forums.com/index.php?topic=1819623>

Question 437

Which of the following are statisticians who compile statistics to predict the risk of an event occurring in the population?

- A) rocket scientists
- B) quants
- C) actuaries
- D) risk analysts

Answer: <https://biology-forums.com/index.php?topic=1819489>

Question 438

If the Fed desired to reduce the federal funds rate

- A) it would conduct an open market sale, reducing reserve supply.
- B) it would conduct an open market purchase, increasing reserve supply.
- C) it would conduct an open market sale, increasing reserve demand.
- D) it would conduct an open market purchase, reducing reserve demand.

Answer: <https://biology-forums.com/index.php?topic=1819878>

Question 439

The Bank of Bird-in-Hand is a(n) _____ bank which concentrates on making loans to _____.

- A) commercial; large businesses
- B) investment; large business
- C) community; small businesses
- D) community; individual households for mortgages.

Answer: <https://biology-forums.com/index.php?topic=1819401>

Question 440

In 2016, as investors became more concerned with the default risk of bonds issued by the governments of Greece and Portugal relative to the default risk on bonds issued by the governments of Germany, France, and the Netherlands, the price of bonds issued by Greece and Portugal would have most likely _____ and the yield on those bonds would have most likely _____.

- A) increased; increased
- B) increased; decreased
- C) decreased; increased
- D) decreased; decreased

Answer: <https://biology-forums.com/index.php?topic=1818664>

Question 441

A bank's costs include all of the following EXCEPT

- A) the interest it pays to depositors.
- B) the interest it pays on its loans or debt.
- C) the cost of providing services.
- D) the fees paid to maintain its reserves at the Federal Reserve.

Answer: <https://biology-forums.com/index.php?topic=1819322>

Question 442

The attribute that distinguishes money from other assets is that only money

- A) retains its value during times of inflation.
- B) is counted in determining the size of an individual's wealth.
- C) serves as a medium of exchange.
- D) may be used as collateral for a bank loan.

Answer: <https://biology-forums.com/index.php?topic=1818281>

Question 443

George is trying to forecast the future price of IBM's common stock. To do so he makes use only of past prices of IBM stock. George

- A) has adaptive expectations.
- B) has rational expectations.
- C) is likely to rapidly adjust his forecast to news affecting the future profitability of IBM.
- D) is likely to make forecasts that reflect closely IBM stock's fundamental value.

Answer: <https://biology-forums.com/index.php?topic=1818786>

Question 444

According to the equation of exchange, if nominal GDP increases then

- A) the quantity of money must also increase.
- B) the velocity of money must also increase.
- C) both the quantity of money and the velocity of money must also increase.
- D) either the quantity of money and/or the velocity of money must also increase.

Answer: <https://biology-forums.com/index.php?topic=1818364>

Question 445

Diversification refers to the

- A) splitting of wealth into many assets.
- B) difference between the liquidity of an asset and its risk.
- C) difficulty of converting investments in common stocks into investments in bonds.
- D) difficulty of selling common stocks in a weak market.

Answer: <https://biology-forums.com/index.php?topic=1818207>

Question 446

All of the following are names for bonds receiving low ratings EXCEPT

- A) junk.
- B) garbage.
- C) high yield.
- D) speculative.

Answer: <https://biology-forums.com/index.php?topic=1818667>

Question 447

In which of the following situations would a lender definitely pay a borrower interest in return for borrowing the lender's money?

- A) if the real interest rate was negative
- B) if the real interest rate was positive
- C) if the nominal interest rate was negative
- D) if the nominal interest rate was positive

Answer: <https://biology-forums.com/index.php?topic=1818720>

Question 448

Make use of a graph of the foreign exchange market to show how the Brazilian Central Bank can use an unsterilized intervention to reduce the value of its currency, the real, in terms of the dollar.

Answer: <https://biology-forums.com/index.php?topic=1820038>

Question 449

From 2010-2015, the primary source of external funds for corporations was

- A) commercial paper.
- B) loans.
- C) bonds.
- D) stocks.

Answer: <https://biology-forums.com/index.php?topic=1819243>

Question 450

Almost every time that there has been an inverted yield curve, what took place within one year?

- A) recession
- B) rising inflation
- C) financial crisis
- D) higher bond yields

Answer: <https://biology-forums.com/index.php?topic=1818724>

Question 451

The opportunity cost of holding money is measured by

- A) short-term nominal interest rate.
- B) short-term real interest rate.
- C) long-term nominal interest rate.
- D) long-term real interest rate.

Answer: <https://biology-forums.com/index.php?topic=1820122>

Question 452

In which of the following periods was the yield curve inverted?

- A) February 2004
- B) February 2007
- C) February 2010
- D) The yield curve was not inverted during any of these periods.

Answer: <https://biology-forums.com/index.php?topic=1818716>

Question 453

The leading federal regulatory body for financial markets in the United States is the

- A) Federal Bureau of Investigation.
- B) Securities and Exchange Commission.
- C) Federal Financial Market Bureau.
- D) Investors Protection Agency.

Answer: <https://biology-forums.com/index.php?topic=1818203>

Question 454

At the time the monetary union in Europe began in 1999, which of the following countries declined to participate?

- A) France
- B) United Kingdom
- C) Italy

D) Germany

Answer: <https://biology-forums.com/index.php?topic=1820087>

Question 455

A corporation's market capitalization is best described as

- A) the total value of its stocks and bonds.
- B) the total value of its common and preferred stock.
- C) its total profit for a particular year.
- D) its average profit over a period of years.

Answer: <https://biology-forums.com/index.php?topic=1818749>

Question 456

The aggregate expenditure line is upward sloping since as GDP increases

- A) consumption increases.
- B) investment increases.
- C) government purchases increase.
- D) net exports increase.

Answer: <https://biology-forums.com/index.php?topic=1820235>

Question 457

If the Fed buys securities worth \$10 million, then

- A) bank reserves will increase by \$10 million.
- B) bank reserves will decrease by \$10 million.
- C) currency in circulation will increase by \$10 million.
- D) bank holdings of securities increase by \$10 million.

Answer: <https://biology-forums.com/index.php?topic=1819756>

Question 458

Currently, a three-month Treasury bill has a yield of 5% while the yield on a ten-year Treasury bond is 4.7%. What is the risk premium of the typical A-rated ten-year corporate bond with a yield of 5.5%?

- A) 0.5%
- B) 0.8%
- C) 1.17%
- D) 5.5%

Answer: <https://biology-forums.com/index.php?topic=1818629>

Question 459

Which of the following was the main reason for increased counterparty risk in the shadow banking system prior to the financial crisis of 2007-2009?

- A) increased leverage
- B) government insuring money market deposits
- C) many firms borrowing long term for short-term investments
- D) trading of derivatives on exchanges

Answer: <https://biology-forums.com/index.php?topic=1819501>

Question 460

The shadow banking system refers to

- A) commercial banks.
- B) community banks.
- C) pawn shops and institutions that offer payday loans.
- D) nonbank financial institutions such as investment banks and hedge funds.

Answer: <https://biology-forums.com/index.php?topic=1819493>

Question 461

The Federal Reserve pursued an expansionary monetary policy during 1964 in order to

- A) pull the United States out of a deep recession.
- B) counteract the effects of a deep cut in federal income taxes.
- C) keep interest rates from rising.
- D) bring down the inflation rate.

Answer: <https://biology-forums.com/index.php?topic=1820185>

Question 462

How can banks measure interest-rate risk?

Answer: <https://biology-forums.com/index.php?topic=1819374>

Question 463

From 2010-2015, which source of funds for corporations grew the most?

- A) net new stock issues
- B) net new bond issues
- C) net new loans
- D) net new commercial paper

Answer: <https://biology-forums.com/index.php?topic=1819244>

Question 464

What happened to consumer prices as measured by the CPI between 1929 and 1933?

- A) rose by more than 20%
- B) didn't change
- C) declined by about 25%
- D) declined by about 80%

Answer: <https://biology-forums.com/index.php?topic=1819571>

Question 465

In financial markets, leverage refers to

- A) the use of borrowed money in an investment.
- B) the power to influence the market.
- C) the use of political connections in attaining financial outcomes.
- D) the role that speculators have in impacting market outcomes.

Answer: <https://biology-forums.com/index.php?topic=1819115>

Question 466

A majority of the members of the boards of the 12 Federal Reserve Banks are

- A) elected by bankers.
- B) appointed by the president.
- C) appointed by the Fed Chairman.
- D) elected by the District Bank presidents.

Answer: <https://biology-forums.com/index.php?topic=1819669>

Question 467

Business finance companies

- A) purchase accounts receivable of small firms at a discount.
- B) sell commercial paper and buy long-term corporate bonds.
- C) take in deposits from savers and buy corporate commercial paper.
- D) are strictly regulated by state governments.

Answer: <https://biology-forums.com/index.php?topic=1819457>

Question 468

An investor who bases the decision to buy an asset solely on the expected return of an asset is considered to be

- A) risk loving.
- B) risk averse.
- C) risk neutral.
- D) risk avoiding.

Answer: <https://biology-forums.com/index.php?topic=1818506>

Question 469

All of the following statements regarding bitcoin transactions are true EXCEPT

- A) no permanent record of bitcoin transactions exist.
- B) bitcoin transactions are now more prevalent than cash transactions.
- C) retailers pay a lower processing cost for bitcoin transactions than for credit card transactions.
- D) bitcoin transactions are final and unlike credit card transactions, cannot be disputed by the buyer.

Answer: <https://biology-forums.com/index.php?topic=1818325>

Question 470

The Fed ended QE3 in

- A) January 2103.
- B) October 2014.
- C) February 2016.
- D) QE3 had not ended as of January 2017.

Answer: <https://biology-forums.com/index.php?topic=1819938>

Question 471

Economists define risk as

- A) the difference between the interest rate borrowers pay and the interest rate lenders receive.
- B) the chance that the value of financial assets will change from what you expect.
- C) the ease with which an asset can be exchanged for other assets or for goods and services.
- D) the difference between the return on common stock and the return on corporate bonds.

Answer: <https://biology-forums.com/index.php?topic=1818187>

Question 472

During the financial crisis of 2007-2009, Fed Chairman Ben Bernanke relied on an informal group of three advisors to help make quick decisions on policy actions. Which of the following was NOT one of those advisors?

- A) Board of Governors member Donald Kohn
- B) New York District Bank president Timothy Geithner
- C) Board of Governors member Kevin Warsh
- D) Treasury Secretary Henry Paulson

Answer: <https://biology-forums.com/index.php?topic=1819668>

Question 473

Which interest rate is typically the lowest?

- A) 3-month Treasury bills
- B) 2-year Treasury notes
- C) 10-year Treasury bonds
- D) 30-year Treasury bonds

Answer: <https://biology-forums.com/index.php?topic=1818705>

Question 474

If you buy a bond issued by Intel, the bond is a(n)

- A) liability to Intel and an asset to you.
- B) liability to you and an asset to Intel.
- C) liability to both you and Intel.
- D) asset to both you and Intel.

Answer: <https://biology-forums.com/index.php?topic=1818183>

Question 475

Why isn't the current yield a good indicator of holding a bond?

- A) It doesn't account for the yield to maturity.
- B) It doesn't account for capital gains or losses.
- C) It doesn't account for the coupon.
- D) It assumes that the current price equals its par value.

Answer: <https://biology-forums.com/index.php?topic=1818467>

Question 476

As a result of the perceived riskiness of alternative investments following the financial crisis of 2007-2009, the bond market was affected in all of the following ways EXCEPT

- A) higher demand for bonds.
- B) higher real interest rates.
- C) lower nominal interest rates.
- D) higher price of bonds.

Answer: <https://biology-forums.com/index.php?topic=1818575>

Question 477

Suppose you are a manager for a company that produces grape jelly. Which of the following is the best way for you to reduce your risk?

- A) acquire a derivative that increases in value if grape prices increase
- B) acquire a derivative that increases in value if grape jelly prices increase
- C) sell a derivative that increases in value if grape prices increase
- D) sell a derivative that increases in value if grape jelly prices increase

Answer: <https://biology-forums.com/index.php?topic=1818860>

Question 478

How do ratings agencies earn income?

Answer: <https://biology-forums.com/index.php?topic=1818680>

Question 479

If labor costs rise at the same time that the federal government decreases its purchases, in the short run

- A) aggregate output and the price level will both increase.
- B) aggregate output will increase, but the price level will fall.
- C) aggregate output and the price level will both fall.
- D) aggregate output will fall, but the price level may either increase or decrease.

Answer: <https://biology-forums.com/index.php?topic=1820176>

Question 480

We would not expect a Japanese financial asset and a U.S. financial asset with identical risk, liquidity, and information characteristics to have different expected returns because

- A) the U.S. and Japanese governments have pledged themselves to avoid this outcome.
- B) traders would buy the asset with the higher expected yield and sell the asset with the lower expected yield until the yields were brought into equality.
- C) traders would sell the asset with the higher expected yield and buy the asset with the lower expected yield until the yields were brought into equality.
- D) the exchange rate between the dollar and the yen would adjust automatically to eliminate any difference in yields.

Answer: <https://biology-forums.com/index.php?topic=1819085>

Question 481

Suppose that a new bond rating service is established that specializes in rating municipal bonds that had not previously been rated. The likely result would be

- A) a shift to the left in the demand curve for municipal bonds.
- B) a shift to the left in the supply curve for municipal bonds.
- C) an increase in the equilibrium interest rate.
- D) a decrease in the equilibrium interest rate.

Answer: <https://biology-forums.com/index.php?topic=1818536>

Question 482

As a result of an open market purchase, bank reserves

- A) rise and interest rates fall.
- B) fall and interest rates rise.
- C) and interest rates both rise.
- D) and interest rates both fall.

Answer: <https://biology-forums.com/index.php?topic=1819879>

Question 483

Explain how a bubble can develop in the market for an asset.

Answer: <https://biology-forums.com/index.php?topic=1818856>

Question 484

What are the three books to which the FOMC has access and what information is included in each?

Answer: <https://biology-forums.com/index.php?topic=1819690>

Question 485

Though useful, purchasing power parity does NOT completely explain long-run movements in exchange rates due to

- A) some goods being nontradeable.
- B) changes in the real exchange rate.
- C) differentiated products.
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=1819052>

Question 486

About what percentage of U.S. output was exported to foreigners in 2016?

- A) 1%
- B) 13%
- C) 16%
- D) 25%

Answer: <https://biology-forums.com/index.php?topic=1819004>

Question 487

Regulation Q

- A) prohibited interstate banking.
- B) placed ceilings on allowable interest rates on time and savings deposits.
- C) required all banks to hold reserves against demand deposits.
- D) broadened the basis on which the Fed could make discount loans.

Answer: <https://biology-forums.com/index.php?topic=1819610>

Question 488

Many savers are willing to accept a lower interest rate on municipal bonds than on comparable instruments because

- A) the after-tax yield on municipal bonds is greater.
- B) municipal bonds invariably have lower default risk.
- C) municipal bonds are more liquid than most other instruments.
- D) the yield on municipal bonds is considered inflation proof.

Answer: <https://biology-forums.com/index.php?topic=1818660>

Question 489

The assumption of asymmetric information means that

- A) borrowers and lenders have the same information.
- B) borrowers and lenders have perfect information.
- C) borrowers know more than lenders.
- D) lenders know more than borrowers.

Answer: <https://biology-forums.com/index.php?topic=1819157>

Question 490

If an investor is certain that market interest rates will decline in the future, which of the following will she be most likely to purchase?

- A) a six-month government bill
- B) a two-year government note
- C) a ten-year government bond
- D) a fifty-year government bond

Answer: <https://biology-forums.com/index.php?topic=1818463>

Question 491

"Tips" published in leading commercial or financial publications are unlikely to lead to profitable trades because

- A) only wealthy individuals can buy stocks in the volume necessary to take advantage of tips.
- B) whatever is gained by trading on the basis of tips will be taxed away by the government.
- C) the news will already be reflected in the market prices of the assets.
- D) the news contained in the tips is usually inaccurate.

Answer: <https://biology-forums.com/index.php?topic=1818811>

Question 492

How did the Fed peg interest rates during World War II?

- A) by setting a low federal funds rate
- B) by agreeing to purchase any bonds that were not purchased by private investors
- C) through extensive use of discount loans
- D) through nationalization of the banking system

Answer: <https://biology-forums.com/index.php?topic=1819712>

Question 493

Members of the European Exchange Rate Mechanism (ERM)

- A) agreed to buy and sell gold at a fixed rate.
- B) promised to maintain the values of their currencies within a fixed range.
- C) attempted to maintain a fixed exchange rate against the dollar.
- D) all agreed to charge the same interest rate on central bank loans.

Answer: <https://biology-forums.com/index.php?topic=1820086>

Question 494

Economists generally agree that in the long run, changes in aggregate demand affect

- A) aggregate output but not the price level.
- B) the price level but not aggregate output.
- C) both the price level and aggregate output.
- D) neither the price level nor aggregate output.

Answer: <https://biology-forums.com/index.php?topic=1820178>

Question 495

In an article, "Preparing for the Next Black Swan" (Wall Street Journal, Aug 21, 2010), the point is made that diversification may be insufficient in protecting one's portfolio during a "Black Swan" event. Why may this be TRUE?

- A) Virtually all asset classes may decline at the same time.
- B) Investors may be unable to buy different assets during a "Black Swan" event.
- C) Some assets may rise while others decline during a "Black Swan" event.
- D) Black Swan events are surprises and thus one cannot prepare for such an event.

Answer: <https://biology-forums.com/index.php?topic=1818491>

Question 496

The bursting of the dot-com bubble contributed to the

- A) Great Depression.
- B) inflation of the late 1970s.
- C) recession of 2001.
- D) financial crisis of 2007-2009.

Answer: <https://biology-forums.com/index.php?topic=1819859>

Question 497

In the spot foreign exchange market

- A) only dollars, yen, and pounds may be traded.
- B) only dollars and yen may be traded.
- C) currencies or bank deposits are exchanged immediately.
- D) currencies or bank deposits are exchanged at a fixed date (or spot) in the future.

Answer: <https://biology-forums.com/index.php?topic=1819100>

Question 498

Suppose you purchase a call option with a strike price of \$85 for an options price of \$10 How much profit will you earn if you exercise it when the price is \$100?

Answer: <https://biology-forums.com/index.php?topic=1818985>

Question 499

The political business cycle theory predicts that

- A) the Fed acts to promote the interests of the general public.
- B) the Fed acts to stimulate economic activity before an election.
- C) the president's appointments to the Board of Governors will usually be politicians.
- D) political factors over which the Fed has no control are most important in explaining the business cycle.

Answer: <https://biology-forums.com/index.php?topic=1819703>

Question 500

The supply curve for loanable funds would increase due to a(n)

- A) increase in wealth.

- B) increase in expected inflation.
- C) decrease in the liquidity of bonds relative to other assets.
- D) increase in the information costs of bonds relative to other assets.

Answer: <https://biology-forums.com/index.php?topic=1818602>

Question 501

Differences in the taxation of returns

- A) only affect the yields of illiquid credit market instruments.
- B) have a negligible effect on the yields of credit market instruments.
- C) only affect the yields of high-information cost credit market instruments.
- D) create differences in yields among credit market instruments.

Answer: <https://biology-forums.com/index.php?topic=1818657>

Question 502

What is a black swan event?

Answer: <https://biology-forums.com/index.php?topic=1818515>

Question 503

As wealth increases in the economy, we would expect to observe

- A) bond prices and interest rates both rise.
- B) bond prices and interest rates both fall.
- C) bond prices rise and interest rates fall.
- D) bond prices fall and interest rates rise.

Answer: <https://biology-forums.com/index.php?topic=1818528>

Question 504

How does the existence of money affect economic growth?

Answer: <https://biology-forums.com/index.php?topic=1818274>

Question 505

In late 2012, President Obama proposed raising the top income tax rate. All of the following are likely impacts of higher income tax rates on bonds EXCEPT

- A) higher interest rates on Treasury bonds.
- B) lower interest rates on Municipal bonds.
- C) increased demand for Municipal bonds.
- D) lower prices for Municipal bonds.

Answer: <https://biology-forums.com/index.php?topic=1818674>

Question 506

Which of the following was NOT a result of the passage of the Gramm-Leach-Bliley Act?

- A) It repealed the Glass-Steagall Act.
- B) It allowed commercial banks to participate in securities, insurance, and real estate activities.
- C) It authorized new financial holding companies which permitted securities and investment firms to own commercial banks.
- D) It increased the capital requirements for commercial banks.

Answer: <https://biology-forums.com/index.php?topic=1819430>

Question 507

Which of the following would cause the long-run aggregate supply curve to shift?

- A) an increase in the price level
- B) a decrease in the expected price level
- C) an increase in labor productivity
- D) an autonomous increase in consumption spending

Answer: <https://biology-forums.com/index.php?topic=1820159>

Question 508

In addition to the Fed, which other central bank pursued unusual monetary policy following the financial crisis of 2007-2009?

- A) the European Central bank
- B) the Bank of Japan
- C) the Bank of England

D) all of the above

Answer: <https://biology-forums.com/index.php?topic=1819980>

Question 509

The main argument in favor of Fed independence is that

- A) interest rates would probably be lower if Congress controlled the Fed, thus hurting savers.
- B) the Constitution requires it.
- C) monetary policy is too important and too technical to be determined in the political arena.
- D) congressional control of the Fed was tried during the 1960s and did not work well.

Answer: <https://biology-forums.com/index.php?topic=1819710>

Question 510

When the Fed raised its target for the federal funds rate in 2015, it set the interest rate it pays on excess reserves at

- A) 0%.
- B) 0.25%.
- C) 0.50%.
- D) 1.25%.

Answer: <https://biology-forums.com/index.php?topic=1819941>

Question 511

Which of the following statements is NOT true?

- A) The U.S. Constitution does not explicitly give the federal government the authority to establish a central bank.
- B) The U.S. Constitution states that Congress has the power "To coin money [and] regulate the value thereof."
- C) Congress delegated the power to coin money and regulate its value to the Federal Reserve in the Federal Reserve Act.
- D) The federal courts have never upheld the constitutionality of the Federal Reserve Act.

Answer: <https://biology-forums.com/index.php?topic=1819714>

Question 512

Why do futures have lower information costs and higher liquidity than forward contracts?

Answer: <https://biology-forums.com/index.php?topic=1818949>

Question 513

In an efficient market with rational expectations, the actual price of an asset

- A) will equal its expected price.
- B) will often be below its expected price.
- C) will often be above its expected price.
- D) equals its expected price plus a random error term.

Answer: <https://biology-forums.com/index.php?topic=1818798>

Question 514

A futures contract is

- A) an agreement that specifies the delivery of a commodity or financial instrument at an agreed-upon future date at a currently agreed-upon price.
- B) an agreement that specifies the delivery of a commodity or financial instrument at an agreed-upon future date, with the price to be negotiated at the time of delivery.
- C) an agreement that specifies the delivery of a commodity or financial instrument at a currently agreed-upon price, with date of delivery to be negotiated subsequently.
- D) an agreement that specifies the delivery of a commodity or financial instrument, with the price and date of delivery to be negotiated subsequently.

Answer: <https://biology-forums.com/index.php?topic=1818885>

Question 515

As of early 2016, carried interest was taxed as

- A) capital gains.
- B) dividends.
- C) interest income.
- D) ordinary income.

Answer: <https://biology-forums.com/index.php?topic=1819466>

Question 516

The payments system is

- A) the mechanism for conducting economic transactions.
- B) another name for the system of foreign exchange rates.
- C) the phrase used to describe how transactions are carried out in an economy that does not use money.
- D) the way in which economic transactions are carried out in a government-controlled economy, such as the former Soviet Union.

Answer: <https://biology-forums.com/index.php?topic=1818311>

Question 517

If the federal government decreases its spending and doesn't decrease taxes, the bond supply shifts to the

- A) left and the equilibrium interest rate rises.
- B) left and the equilibrium interest rate falls.
- C) right and the equilibrium interest rate rises.
- D) right and the equilibrium interest rate falls.

Answer: <https://biology-forums.com/index.php?topic=1818548>

Question 518

The Bank of the United States faced opposition from which of the following?

- A) local banks who resented the Bank's supervision
- B) advocates of limited government who distrusted its power
- C) farmers and small businesses who resented the Bank's interference with their ability to obtain loans
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=1819671>

Question 519

Suppose that the one-year Treasury bill rate in the United States is 6%, the one-year government bond rate in Canada is 4%, and investors expect the U.S. dollar to depreciate against the Canadian dollar by 4% over the coming year. Is the nominal interest rate parity condition violated?

Answer: <https://biology-forums.com/index.php?topic=1819117>

Question 520

How do banks manage credit risk?

Answer: <https://biology-forums.com/index.php?topic=1819373>

Question 521

Large commercial banks are considered to be market makers because

- A) without them, there would be no foreign exchange market.
- B) they can easily manipulate the value of currencies in the foreign exchange market.
- C) they are willing to buy and sell major currencies at any time.
- D) they created the foreign exchange market.

Answer: <https://biology-forums.com/index.php?topic=1819033>

Question 522

When a country's real exchange rate appreciates

- A) its nominal exchange rate must also have appreciated.
- B) its nominal exchange rate must have depreciated.
- C) it can trade its goods for fewer units of foreign goods.
- D) it can trade its goods for more units of foreign goods.

Answer: <https://biology-forums.com/index.php?topic=1819018>

Question 523

Suppose that Google announces that its profits for the third quarter of 2016 were \$1.6 billion. As a result of this announcement the price of Google's stock declines. The best explanation of this is

- A) market participants expected Google's profits to be greater than \$1.6 billion for the third quarter.
- B) market participants expected Google's profits to be less than \$1.6 billion for the third quarter.
- C) the stock market is not an efficient market.
- D) market participants have adaptive expectations.

Answer: <https://biology-forums.com/index.php?topic=1818814>

Question 524

How were open market operations conducted prior to 1935?

- A) They were carried out by the Federal Open Market Committee.

- B) They were carried out under the direction of the Secretary of the Treasury.
- C) They were carried out by the district Federal Reserve banks.
- D) They were carried out by the Banking Committee of the House of Representatives.

Answer: <https://biology-forums.com/index.php?topic=1819897>

Question 525

In 2016, federal regulators proposed that at least half of the bonuses investment banks pay top managers

- A) be paid back to the federal government as compensation for the bailouts during the financial crisis.
- B) be paid in the form of stock options.
- C) be deferred for four years.
- D) be completely eliminated.

Answer: <https://biology-forums.com/index.php?topic=1819437>

Question 526

Which of the following is NOT on the Fed's list of the five most desirable outcomes for a payments system?

- A) inflation-proof
- B) security
- C) efficiency
- D) speed

Answer: <https://biology-forums.com/index.php?topic=1818322>

Question 527

Which type of investor is most likely to have a diversified portfolio?

- A) risk averse
- B) risk loving
- C) risk neutral
- D) risk tolerant

Answer: <https://biology-forums.com/index.php?topic=1818508>

Question 528

Which of the following is a liability of the Fed?

- A) reserves
- B) U.S. government securities
- C) discount loans to banks
- D) checkable deposits in commercial banks

Answer: <https://biology-forums.com/index.php?topic=1819739>

Question 529

Why does the segmented markets theory suggest that bonds of different maturities are NOT perfect substitutes for each other?

Answer: <https://biology-forums.com/index.php?topic=1818733>

Question 530

A key reason that firms and financial institutions might participate in an interest rate swap is

- A) to transfer interest rate risk to parties that are more willing to bear it.
- B) the low information costs of swaps compared with other derivative contracts.
- C) the greater liquidity of swaps compared with other derivative contracts.
- D) the favorable tax implications of swaps compared with other derivative contracts.

Answer: <https://biology-forums.com/index.php?topic=1818992>

Question 531

Suppose \$100 buys less in the year 2017 than in 2000. Then we can say that

- A) money's store of value has decreased.
- B) money's store of value has increased.
- C) the economy must have been growing rapidly between 2000 and 2017.
- D) the economy must have been growing slowly between 2000 and 2017.

Answer: <https://biology-forums.com/index.php?topic=1818289>

Question 532

If a bank's total assets = \$3,500 billion, its total liabilities = \$3,200 billion, and its bank capital = \$300 billion, its bank capital as a percentage of assets

is approximately

- A) 8.6%.
- B) 9.4%.
- C) 11.7%.
- D) 91.4%.

Answer: <https://biology-forums.com/index.php?topic=1819307>

Question 533

The public interest view of Fed motivation holds that the Fed acts in the interest of

- A) the general public.
- B) banks.
- C) Congress.
- D) itself.

Answer: <https://biology-forums.com/index.php?topic=1819700>

Question 534

Which of the following is included in M1, but not in M2?

- A) currency
- B) checking account deposits
- C) travelers checks
- D) Everything in M1 is in M2.

Answer: <https://biology-forums.com/index.php?topic=1818335>

Question 535

The Depository Institutions Deregulation and Monetary Control Act of 1980

- A) eliminated the requirement that banks hold reserve deposits with the Fed.
- B) required all state banks to join the Federal Reserve System.
- C) required all banks to maintain reserve deposits with the Fed.
- D) prohibited nonmember banks from receiving discount loans.

Answer: <https://biology-forums.com/index.php?topic=1819654>

Question 536

What has been the approach of the European Central Bank to monetary targeting?

Answer: <https://biology-forums.com/index.php?topic=1819991>

Question 537

The efficient markets hypothesis predicts that an investor

- A) will not be able consistently to earn above-normal profits from buying or selling stocks.
- B) will be able consistently to earn above-normal profits from buying or selling stocks so long as he or she makes use of rational expectations.
- C) will be able consistently to earn above-normal profits from buying or selling stocks so long as he makes use of adaptive expectations.
- D) will be able consistently to earn above-normal profits so long as stock prices in general are rising.

Answer: <https://biology-forums.com/index.php?topic=1818816>

Question 538

Which of the following is NOT a role of Federal Reserve Banks?

- A) conduct discount lending
- B) serve on the FOMC
- C) set the interest rate on reserves
- D) manage check clearing in the banking system

Answer: <https://biology-forums.com/index.php?topic=1819675>

Question 539

What are some reasons that hedge funds have become controversial?

Answer: <https://biology-forums.com/index.php?topic=1819472>

Question 540

According to the Fed, what are the five most desirable outcomes for a payments system?

Answer: <https://biology-forums.com/index.php?topic=1818329>

Question 541

If you buy a futures contract for U.S. Treasury bills and on the delivery date the interest rate on T-bills is lower than you expected, you will have

- A) lost money on your long position.
- B) gained money on your long position.
- C) lost money on your short position.
- D) gained money on your short position.

Answer: <https://biology-forums.com/index.php?topic=1818909>

Question 542

The use of checks in transactions

- A) entails lower information costs than the use of currency.
- B) entails fewer steps than settling transactions with currency.
- C) avoids the cost of transporting currency back and forth.
- D) entails fewer steps and lower information costs than settling transactions with currency.

Answer: <https://biology-forums.com/index.php?topic=1818317>

Question 543

All else being equal, a decrease in foreign interest rates relative to U.S. interest rates causes the supply of dollars to _____ and the dollar will _____ relative to foreign currencies.

- A) increase; appreciate
- B) increase; depreciate
- C) decrease; appreciate
- D) decrease; depreciate

Answer: <https://biology-forums.com/index.php?topic=1819077>

Question 544

The benchmark default-free interest rate of the financial system is generally considered to be

- A) the federal funds rate.
- B) the interest rate on the 10-year Treasury note.
- C) the discount rate.
- D) the 30-year fixed rate mortgage.

Answer: <https://biology-forums.com/index.php?topic=1819933>

Question 545

A monetary aggregate is a measure of

- A) the inflation rate.
- B) the total economic activity of the country.
- C) money broader than currency.
- D) definitive money.

Answer: <https://biology-forums.com/index.php?topic=1818340>

Question 546

Suppose a bank has assets of \$500 million and capital of \$100 million. Its return on assets is -3%. What is its leverage ratio? What is its return on equity?

Answer: <https://biology-forums.com/index.php?topic=1819334>

Question 547

What are the effects of the double taxation of dividends?

Answer: <https://biology-forums.com/index.php?topic=1818780>

Question 548

What would happen in the foreign exchange market if the European Central Bank raises European interest rates?

- A) There will be a decline in the value of the euro.
- B) There will be a decline in the value of the dollar.
- C) There will be an increase in the value of the dollar.
- D) U.S. interest rates will decline.

Answer: <https://biology-forums.com/index.php?topic=1819088>

Question 549

When conducting open market operations, at what price is the Fed willing to buy or sell securities?

- A) at the price agreed upon by the Federal Open Market Committee
- B) at the price agreed upon by the Board of Governors
- C) at the price set by the Fed chair
- D) at whatever price is necessary to carry out its open market operations

Answer: <https://biology-forums.com/index.php?topic=1819788>

Question 550

Rational expectations involve the assumption that

- A) market participants make use only of information on the past performance of an asset in determining what they believe its price should be.
- B) market participants rarely change their minds about the correct price of an asset.
- C) financial markets are good at increasing liquidity, but poor at transmitting information.
- D) market participants make use of all available information.

Answer: <https://biology-forums.com/index.php?topic=1818789>

Question 551

Shouldn't better informed investors be able to profit from the deviations from pricing efficiency caused by noise traders?

Answer: <https://biology-forums.com/index.php?topic=1818855>

Question 552

In the United States, monetary policy is carried out by

- A) the Federal Reserve System.
- B) Congress.
- C) the President.
- D) Congress and the President acting together.

Answer: <https://biology-forums.com/index.php?topic=1818215>

Question 553

By the summer of 2008, about what percent of subprime mortgages were overdue by at least 30 days?

- A) 10%
- B) 25%
- C) 34%
- D) 50%

Answer: <https://biology-forums.com/index.php?topic=1819582>

Question 554

How does a sterilized intervention by the Fed in foreign exchange markets differ from an unsterilized intervention?

Answer: <https://biology-forums.com/index.php?topic=1820020>

Question 555

What are the economic implications of an inverted yield curve?

Answer: <https://biology-forums.com/index.php?topic=1818737>

Question 556

As of 2016, the bank portion of TARP

- A) earned a profit of \$30 billion.
- B) earned a profit of \$245 billion.
- C) cost \$266 billion.
- D) cost \$700 billion.

Answer: <https://biology-forums.com/index.php?topic=1819402>

Question 557

The exchange rate system followed by the United States is known as

- A) the gold standard.
- B) a fixed exchange rate system.
- C) a flexible exchange rate system.
- D) a barter system.

Answer: <https://biology-forums.com/index.php?topic=1820079>

Question 558

On August 15, 1971, the United States

- A) returned to the gold standard.
- B) suspended the convertibility of dollars into gold.
- C) provided unlimited dollar reserves to the German central bank to help end a speculative attack on the mark.
- D) provided unlimited dollar reserves to the Bank of England to help end a speculative attack on the pound.

Answer: <https://biology-forums.com/index.php?topic=1820074>

Question 559

In 1791, Congress established the Bank of the United States, which was set up as a

- A) private corporation with stock sold to the general public.
- B) private corporation with stock sold only to financial institutions.
- C) public enterprise funded solely by the federal government.
- D) public enterprise which sold limited quantities of Treasury bonds for its initial funding.

Answer: <https://biology-forums.com/index.php?topic=1819130>

Question 560

Loans by the Federal Reserve to banks are known as

- A) repurchase agreements.
- B) federal funds.
- C) discount loans.
- D) cash items in the process of collection.

Answer: <https://biology-forums.com/index.php?topic=1819275>

Question 561

When there's asymmetric information, who tends to have the better information?

- A) lender
- B) borrower
- C) intermediary
- D) equally likely to be the borrower or the lender

Answer: <https://biology-forums.com/index.php?topic=1819178>

Question 562

Information costs

- A) are the costs of buying and selling financial claims.
- B) include the costs that savers incur to determine the credit worthiness of borrowers.
- C) include the costs borrowers incur to discover the best investments to make with the money they have borrowed.
- D) are zero in financial markets, but high for transactions carried out through financial intermediaries.

Answer: <https://biology-forums.com/index.php?topic=1819139>

Question 563

All of the following were significant changes in the mortgage market in the 2000s EXCEPT

- A) investment banks became significant participants in the secondary mortgage market.
- B) lenders loosened lending standards.
- C) mortgage-backed securities became more popular with investors.
- D) borrowers tended to increase the amount of their down payments.

Answer: <https://biology-forums.com/index.php?topic=1818239>

Question 564

Under the Bretton Woods system, exchange rates were supposed to be adjusted

- A) only when a country experienced fundamental disequilibrium.
- B) daily.
- C) weekly.
- D) following each annual meeting of the board of governors of the International Monetary Fund.

Answer: <https://biology-forums.com/index.php?topic=1820066>

Question 565

What does it mean to "cover a short"?

Answer: <https://biology-forums.com/index.php?topic=1818984>

Question 566

Reserve deposits are

- A) assets for financial institutions, but liabilities for the Fed.
- B) liabilities for financial institutions, but assets for the Fed.
- C) assets for both financial institutions and the Fed.
- D) liabilities for both financial institutions and the Fed.

Answer: <https://biology-forums.com/index.php?topic=1819746>

Question 567

As of 2015, the dividend the Fed pays to member banks with assets greater than \$10 billion is

- A) 2%.
- B) 6%.
- C) the lesser of 6% or the interest rate on 10-year Treasury notes.
- D) the greater of 6% or the interest rate on 10-year Treasury notes.

Answer: <https://biology-forums.com/index.php?topic=1819681>

Question 568

During the financial crisis of 2007-09, the prices of U.S. Treasury securities

- A) rose and the price of corporate bonds declined.
- B) fell relative to the prices of corporate bonds.
- C) remained in the same relative position to the prices of corporate bonds.
- D) were frozen by order of the federal government.

Answer: <https://biology-forums.com/index.php?topic=1818647>

Question 569

All of the following are new rules affecting the shadow banking system as a result of the Dodd-Frank Act EXCEPT

- A) some trading of derivatives are required to take place on exchanges.
- B) large hedge funds are required to register with the SEC.
- C) firms selling mortgage-backed securities and similar assets are required to hold 5% of the credit risk.
- D) securitized loans must now be insured.

Answer: <https://biology-forums.com/index.php?topic=1819502>

Question 570

Rising stock prices _____ household wealth, which _____ consumption spending.

- A) increases; increases
- B) increases; decreases
- C) decreases; increases
- D) decreases; decreases

Answer: <https://biology-forums.com/index.php?topic=1818755>

Question 571

The narrowest money measure is

- A) currency plus non-interest bearing checking accounts.
- B) currency plus all checking accounts.
- C) currency plus all deposits at financial institutions.
- D) definitive money.

Answer: <https://biology-forums.com/index.php?topic=1818341>

Question 572

In November 2012, HP claimed that they had weak earnings due to questionable accounting by a company that they had taken over. This is an example of

- A) market risk.
- B) systemic risk.
- C) idiosyncratic risk.
- D) liquidity risk.

Answer: <https://biology-forums.com/index.php?topic=1818510>

Question 573

Entry-level hires in investment banking firms are usually called

- A) associates.
- B) analysts.
- C) managers.
- D) newbies.

Answer: <https://biology-forums.com/index.php?topic=1819438>

Question 574

What is the difference between adaptive expectations and rational expectations?

Answer: <https://biology-forums.com/index.php?topic=1818828>

Question 575

All of the following were actions taken by the government or the Fed in response to the financial crisis of 2007-2009 EXCEPT

- A) purchasing of most toxic assets such as mortgage-backed securities.
- B) reducing the federal funds rate to near zero.
- C) insuring deposits in money market mutual funds.
- D) effective nationalization of Fannie Mae and Freddie Mac.

Answer: <https://biology-forums.com/index.php?topic=1819586>

Question 576

Which of the following is an example of a barter transaction?

- A) An individual pays her electric bill with a check.
- B) An individual pays her electric bill with currency.
- C) An individual provides three light bulbs to her neighbor in exchange for two gallons of milk.
- D) An individual deposits three twenty-dollar bills in her checking account.

Answer: <https://biology-forums.com/index.php?topic=1818258>

Question 577

The "lemons problem" is overcome in the used car market by

- A) strict government regulation of private deals between individual buyers and sellers of used cars.
- B) most used cars selling for well below their true values.
- C) "lemon insurance" policies being offered by insurance companies.
- D) the existence of used car dealers who are concerned about maintaining their reputations.

Answer: <https://biology-forums.com/index.php?topic=1819166>

Question 578

How should a financial plan of an older saver differ from that of a younger saver?

Answer: <https://biology-forums.com/index.php?topic=1818517>

Question 579

The default risk premium fluctuates mainly

- A) because bond rating agencies tend to be inconsistent in their ratings of bonds.
- B) because risk-neutral investors will often become risk-averse as time passes.
- C) because taxes tend to rise over the long run.
- D) as new information about a borrower's creditworthiness becomes available.

Answer: <https://biology-forums.com/index.php?topic=1818644>

Question 580

The daily turnover in the foreign exchange market is

- A) millions of dollars.
- B) billions of dollars.
- C) trillions of dollars.
- D) declining in the last decade.

Answer: <https://biology-forums.com/index.php?topic=1819029>

Question 581

Which of the following forms the largest share of household holdings of financial assets?

- A) corporate stocks
- B) bonds
- C) pension fund reserves
- D) equity in unincorporated businesses

Answer: <https://biology-forums.com/index.php?topic=1818184>

Question 582

All of the following are benefits of securitization EXCEPT

- A) risk sharing.
- B) reduced interest rates that borrowers pay on loans.
- C) increased liquidity.
- D) fewer adverse selection problems.

Answer: <https://biology-forums.com/index.php?topic=1819211>

Question 583

Andy can't make a deal with Danny. Andy has an Alex Rodriguez baseball card and would like to trade it to Danny for Danny's Albert Pujols card, but Danny doesn't want an Alex Rodriguez card. Andy's problem illustrates the drawback to a barter system known as

- A) the specialization problem.
- B) the double coincidence of wants problem.
- C) the many prices problem.
- D) the transactions problem.

Answer: <https://biology-forums.com/index.php?topic=1818264>

Question 584

The new classical explanation of aggregate supply in the short run builds on research by

- A) Irving Fisher.
- B) John Maynard Keynes.
- C) Robert Lucas.
- D) Robert Solow.

Answer: <https://biology-forums.com/index.php?topic=1820135>

Question 585

One implication of the efficient markets hypothesis is that investors should

- A) concentrate their investments in just a few well-chosen assets.
- B) hold a diversified portfolio of assets.
- C) buy stocks rather than bonds.
- D) buy bonds rather than stocks.

Answer: <https://biology-forums.com/index.php?topic=1818808>

Question 586

The key to present value calculations is that they

- A) are appropriate only for funds in the same time period.
- B) provide a common unit for measuring funds at different times.
- C) provide accurate answers only in a low-inflation environment.
- D) provide accurate answers only in a high-inflation environment.

Answer: <https://biology-forums.com/index.php?topic=1818375>

Question 587

Forward transactions would be useful to

- A) a government wanting to know the size of its future debt.
- B) a household wanting to reduce its future tax liability.
- C) a business wanting to know the cost of its funds on future loans.
- D) a business wanting to expand its operations in overseas markets.

Answer: <https://biology-forums.com/index.php?topic=1818874>

Question 588

Banks use repurchase agreements to

- A) ensure that payments on consumer loans are made on time.
- B) borrow funds from business firms or other banks.
- C) guard against price fluctuations on long-term bonds.

D) ensure that they always have enough funds on hand to meet their federal tax liabilities.

Answer: <https://biology-forums.com/index.php?topic=1819279>

Question 589

Which of the following is NOT a financial asset?

- A) a bond issued by Google
- B) Wells Fargo Bank
- C) a home mortgage loan
- D) a certificate of deposit

Answer: <https://biology-forums.com/index.php?topic=1818182>

Question 590

Which of the following does NOT serve on the Governing Council of the European Central Bank?

- A) governors of the national central banks
- B) members of the executive board
- C) finance ministers of each country
- D) chair of the executive board

Answer: <https://biology-forums.com/index.php?topic=1819729>

Question 591

Under the liquidity premium theory, a flat yield curve indicates that investors expect future short-term rates to

- A) fall.
- B) rise.
- C) remain constant.
- D) either fall or remain constant.

Answer: <https://biology-forums.com/index.php?topic=1818714>

Question 592

An argument in support of hysteresis is

- A) companies may be reluctant to hire workers until AD increases.
- B) prices are sticky in the short run.
- C) the skills of unemployed workers may deteriorate making it more difficult to find a job.
- D) overlapping wage contracts.

Answer: <https://biology-forums.com/index.php?topic=1820200>

Question 593

Intermediate targets are

- A) interim goals set on the way to fully achieving policy goals.
- B) targets for policy goals that are of secondary importance.
- C) targets the Fed hopes to achieve by June of each year.
- D) financial variables, such as interest rates or monetary aggregates, the Fed believes will help it to achieve policy goals.

Answer: <https://biology-forums.com/index.php?topic=1819960>

Question 594

Researchers at the Federal Reserve discovered that

- A) couples who have similar credit scores at the beginning of their relationship are more likely to stay together than are couples with very different scores.
- B) couples who have very different credit scores at the beginning of their relationship are more likely to stay together than are couples with similar scores.
- C) couples who have similar but low credit scores at the beginning of their relationship are more likely to stay together than are couples with similar but high scores.
- D) the Federal Reserve has never wasted its time researching such a trivial subject.

Answer: <https://biology-forums.com/index.php?topic=1819350>

Question 595

What new policy tools for controlling reserve balances did the Fed introduce during the Financial Crisis of 2007-2009?

Answer: <https://biology-forums.com/index.php?topic=1819887>

Question 596

Suppose you are considering buying shares of a stock to hold for one year. The stock has an expected annual dividend of \$2 and an expected price at the end of the year of \$25. If your required rate of return is 10%, what is the most that you should be willing to pay for the stock? Round off to the nearest cent.

Answer: <https://biology-forums.com/index.php?topic=1818776>

Question 597

Stabilization policy refers to attempts to

- A) shift the AD curve to smooth short-run fluctuations in output.
- B) shift the SRAS curve to smooth short-run fluctuations in output.
- C) shift the AD curve to keep the price level as low as possible.
- D) shift the SRAS curve to keep the nominal interest rate as low as possible.

Answer: <https://biology-forums.com/index.php?topic=1820195>

Question 598

The primary assets of the Fed are

- A) discount loans and reserves.
- B) discount loans and government securities.
- C) government securities and reserves.
- D) discount loans and open market operations.

Answer: <https://biology-forums.com/index.php?topic=1819749>

Question 599

All of the following are factors that determine whether a country's economy can provide a high standard of living for its residents and whether that standard of living can increase over time EXCEPT

- A) the ability of the country's businesses to accumulate capital.
- B) the ability of the country's businesses to adopt the latest technology.
- C) the ability of the country's government to provide a legal framework that protects property rights and enforces contracts.
- D) the ability of the country's government to print money in response to high levels of inflation.

Answer: <https://biology-forums.com/index.php?topic=1819128>

Question 600

If money is declared to be legal tender, it must be

- A) minted from a precious metal.
- B) acceptable to citizens of foreign countries.
- C) possible to exchange it for an equivalent amount of precious metal.
- D) accepted to settle private transactions and it must be accepted for the payment of taxes.

Answer: <https://biology-forums.com/index.php?topic=1818295>

Question 601

All of the following are differences between hedge funds and mutual funds EXCEPT

- A) hedge funds are largely unregulated.
- B) hedge funds consist of a relatively small number of wealthy investors.
- C) hedge funds make risky investments that mutual funds cannot make.
- D) hedge funds use money collected from savers to make investments.

Answer: <https://biology-forums.com/index.php?topic=1819462>

Question 602

A cash item in the process of collection is

- A) a U.S. Treasury bill that has matured, but for which the bank has not yet received payment.
- B) a car loan payment that is due but not yet received by the bank.
- C) a check drawn against another bank, from whom the funds have not yet been collected.
- D) currency that has been deposited in the bank, but not yet formally counted and entered into the bank's balance sheet.

Answer: <https://biology-forums.com/index.php?topic=1819283>

Question 603

Most of the Fed's earnings come from

- A) fees charged to financial institutions for check clearing.
- B) interest on the securities it holds.
- C) interest on discount loans.
- D) congressional appropriations.

Answer: <https://biology-forums.com/index.php?topic=1819698>

Question 604

All of the following accurately describe China's currency peg EXCEPT

- A) pegging against the dollar ensured that Chinese exporters faced stable prices on exports to the United States.
- B) to support the exchange rate, the People's Bank of China had to buy large amounts of dollars with yuan.
- C) the Chinese currency was allowed to depreciate moderately in the years preceding the financial crisis.
- D) many economists argued that the Chinese currency was undervalued.

Answer: <https://biology-forums.com/index.php?topic=1820089>

Question 605

A substantial appreciation of the U.S. dollar will likely result in, all else equal

- A) lower demand for U.S. products and layoffs of U.S. workers.
- B) increased demand for U.S. products and increased employment of U.S. workers.
- C) lower foreign currency prices of U.S. products in foreign countries.
- D) higher U.S. dollar prices of foreign products in the United States.

Answer: <https://biology-forums.com/index.php?topic=1819014>

Question 606

When nominal interest rates on financial assets are high, the opportunity cost of holding money is _____, so the quantity of money demanded by households and firms will be _____.

- A) high; high
- B) high; low
- C) low; high
- D) low; low

Answer: <https://biology-forums.com/index.php?topic=1818588>

Question 607

Which of the following referred to derivatives as "financial weapons of mass destruction"?

- A) Ben Bernanke
- B) Barack Obama
- C) Warren Buffett
- D) Michael Lewis

Answer: <https://biology-forums.com/index.php?topic=1819000>

Question 608

Which of the following best describes a "bubble"?

- A) when the price of an asset reaches a new high
- B) an unsustainable increase in the price of a class of assets
- C) rapid increases in inflation
- D) when bond prices rise more quickly than stock prices

Answer: <https://biology-forums.com/index.php?topic=1818238>

Question 609

What is the most important contrast between the segmented markets theory and the expectations theory?

- A) The expectation theory states that investors view similar assets that differ only with respect to maturity as perfect substitutes.
- B) The segmented markets theory states that investors view similar assets that differ only with respect to maturity as perfect substitutes.
- C) The expectations theory does a better job of explaining why yield curves typically are upward-sloping.
- D) The segmented markets theory does a better job of explaining why yields on instruments of different maturities tend to move together.

Answer: <https://biology-forums.com/index.php?topic=1818693>

Question 610

Which of the following would NOT shift the aggregate demand curve to the left?

- A) an increase in money demand
- B) a cut in federal government spending
- C) a reduction in federal income taxes
- D) a decrease in consumption spending

Answer: <https://biology-forums.com/index.php?topic=1820118>

Question 611

FICO scores are based on information gathered from the three major credit reporting agencies. Which of the following is NOT one of those agencies?

- A) Equifax
- B) Experian
- C) TransUnion
- D) FDIC

Answer: <https://biology-forums.com/index.php?topic=1819347>

Question 612

What are the two main objectives of policymakers in restoring the Glass-Steagall Act?

- A) reduce risk in the financial system and reduce the size of banks
- B) increase liquidity of hedge fund investors and loosen credit restrictions on small corporations
- C) regulate crowdfunding and prohibit insurance companies from becoming investment banks
- D) increase regulations on community banks and prohibit branch banking

Answer: <https://biology-forums.com/index.php?topic=1819435>

Question 613

The recession that became the Great Depression began

- A) two months prior to the stock market crash of 1929.
- B) with the stock market crash of 1929.
- C) one year after the stock market crash of 1929.
- D) with the banking panics of the early 1930s.

Answer: <https://biology-forums.com/index.php?topic=1819562>

Question 614

Which of the following best characterizes the profit of a buyer of a futures contract?

- A) spot price at settlement minus futures price at purchase
- B) futures price at settlement minus spot price at purchase
- C) futures price at purchase minus spot price at settlement
- D) spot price at purchase minus futures price at settlement

Answer: <https://biology-forums.com/index.php?topic=1818941>

Question 615

The long-run average annual return on investments in the stock market is _____ than the annual returns on investments in Treasury bills and _____ than the annual returns on investments in bank CDs.

- A) higher; higher
- B) higher; lower
- C) lower; higher
- D) lower; lower

Answer: <https://biology-forums.com/index.php?topic=1818817>

Question 616

Most foreign exchange is bought and sold

- A) by governments.
- B) by tourists.
- C) in over-the-counter markets.
- D) on the New York Stock Exchange.

Answer: <https://biology-forums.com/index.php?topic=1819030>

Question 617

The percentage of deposits that banks must hold as reserves is called the

- A) percentage rate.
- B) required reserve ratio.
- C) Fed rate.
- D) discount rate.

Answer: <https://biology-forums.com/index.php?topic=1819748>

Question 618

In comparing the yield to maturity on a Treasury bill with the yield on a discount basis on the same bill, we can say that the yield to maturity

- A) will always be greater than the yield on a discount basis.
- B) will always be less than the yield on a discount basis.
- C) will always be equal to the yield on a discount basis, provided the holding period is the same as the number of years to maturity.
- D) rises whenever the yield on a discount basis falls.

Answer: <https://biology-forums.com/index.php?topic=1818449>

Question 619

How do new Keynesians use the existence of long-term nominal contracts to help explain the failure of prices to adjust in the short run?

Answer: <https://biology-forums.com/index.php?topic=1820166>

Question 620

Since crowdfunding sites do not themselves invest in business start ups that raise funds on their sites, they don't reduce

- A) the principal-agent problem.
- B) information costs.
- C) transactions costs.
- D) asymmetric information.

Answer: <https://biology-forums.com/index.php?topic=1819219>

Question 621

When is the Fed likely to return to using normal monetary policy procedures?

- A) The Fed will never return to normal monetary policy procedures.
- B) The Fed is mandated to return to normal monetary policy procedures by the end of 2018.
- C) While the Fed may eventually return to normal monetary policy procedures, it is unlikely to do so in the near future.
- D) The Fed has already returned to using normal monetary policy procedures.

Answer: <https://biology-forums.com/index.php?topic=1819948>

Question 622

For state residents, interest on most bonds issued by their state government is

- A) exempt from state and federal income taxes.
- B) exempt from state, but not from federal, income taxes.
- C) exempt from federal, but not from state, income taxes.
- D) subject to both state and federal income taxes.

Answer: <https://biology-forums.com/index.php?topic=1818659>

Question 623

The Chairman of the Federal Open Market Committee is also

- A) the president of the Federal Reserve Bank of New York.
- B) the chairman of the Securities and Exchange Commission.
- C) the chairman of the Federal Deposit Insurance Corporation.
- D) the chairman of the Board of Governors.

Answer: <https://biology-forums.com/index.php?topic=1819664>

Question 624

Government regulations requiring firms that desire to sell securities in financial markets to disclose all available information

- A) eliminate the adverse selection problem (when rigorously enforced).
- B) increase the difficulty that young firms may have in raising funds.
- C) eliminate the moral hazard problem in securities markets.
- D) fail to eliminate the adverse selection problem, in part because they do not greatly reduce the difficulty that young firms have in raising funds.

Answer: <https://biology-forums.com/index.php?topic=1819179>

Question 625

In what year did the mutual fund industry in the United States begin?

- A) 1812
- B) 1924
- C) 1974
- D) 1990

Answer: <https://biology-forums.com/index.php?topic=1819451>

Question 626

A company that retains a high bond rating during a recession in which many other companies see their bond ratings cut will experience

- A) an increased flow of funds into the market for its securities.
- B) an increased demand for its securities, resulting in a higher expected return.
- C) a decreased demand for its securities, resulting in a lower expected return.
- D) a decreased flow of funds into the market for its securities.

Answer: <https://biology-forums.com/index.php?topic=1818649>

Question 627

The existence of adverse selection results in

- A) reduced market efficiency.
- B) an increase in the likelihood of moral hazard.
- C) an increase in market transactions.
- D) higher transactions costs.

Answer: <https://biology-forums.com/index.php?topic=1819212>

Question 628

What is an advantage of using options instead of forward contracts when hedging against exchange-rate risk?

Answer: <https://biology-forums.com/index.php?topic=1819125>

Question 629

Banks deal with problems of adverse selection by

- A) charging high interest rates.
- B) gathering information about the default risk of borrowers.
- C) making only short-term loans.
- D) making only long-term loans.

Answer: <https://biology-forums.com/index.php?topic=1819204>

Question 630

With respect to U.S. Treasury bills

- A) the bid price is always greater than the asked price.
- B) the asked price is always greater than the bid price.
- C) the bid price is only greater than the asked price if investors expect interest rates to decline in the future.
- D) the asked price is only greater than the bid price if investors expect interest rates to decline in the future.

Answer: <https://biology-forums.com/index.php?topic=1818445>

Question 631

By how much did real investment decline between 1929 and 1933?

- A) 18%
- B) 20%
- C) 27%
- D) 81%

Answer: <https://biology-forums.com/index.php?topic=1819559>

Question 632

Moral hazard problems arise when

- A) lenders have difficulty in distinguishing between good and lemon firms.
- B) a downturn in economic activity makes repaying loans difficult for borrowers.
- C) borrowers have an incentive to act in ways that do not reflect the lender's interests.
- D) borrowers default on loans.

Answer: <https://biology-forums.com/index.php?topic=1819190>

Question 633

Economists who are skeptical of hysteresis in Europe during the 1980s and 1990s cite all of the following as reasons for persistently high unemployment in Europe EXCEPT

- A) generous unemployment benefits.
- B) restrictions on firms' ability to hire and fire workers.
- C) the existence of an ongoing recession.

D) high tax rates.

Answer: <https://biology-forums.com/index.php?topic=1820201>

Question 634

Shadow banks _____ borrow short-term funds that are not federally insured and use them for long-term investment, and therefore _____ to runs similar to those that occurred during the financial crisis.

- A) continue to; are vulnerable
- B) continue to; are no longer vulnerable
- C) no longer; are vulnerable
- D) no longer; are no longer vulnerable

Answer: <https://biology-forums.com/index.php?topic=1819507>

Question 635

A speculator who believes strongly that interest rates will fall would be likely to

- A) buy futures contracts on Treasury bills.
- B) sell futures contracts on Treasury bills.
- C) sell Treasury bonds in the spot market.
- D) decrease now the amount of money which he lends.

Answer: <https://biology-forums.com/index.php?topic=1818927>

Question 636

The terms of futures contracts traded in the United States are

- A) standardized as to amount or value, but not as to settlement dates.
- B) standardized as to settlement dates, but not as to amount or value.
- C) not standardized, but are determined entirely on the basis of the agreement entered into by the buyer and seller.
- D) standardized as to amount or value and as to settlement dates.

Answer: <https://biology-forums.com/index.php?topic=1818912>

Question 637

Suppose you plan to hold a stock for one year. You expect that, in one year, it will sell for \$30 and pay a dividend of \$3 per share. If your required return on equity is 10%, what is the most you should be willing to pay for the share today?

- A) \$3.30
- B) \$23
- C) \$30
- D) \$33

Answer: <https://biology-forums.com/index.php?topic=1818760>

Question 638

In banking, the spread refers to the difference between the

- A) interest rate on long-term bonds and the interest rate on short-term bonds.
- B) interest rate on car loans and the interest rate on home mortgages.
- C) average interest rate earned on assets and the average interest rate paid on liabilities.
- D) bid and asked prices on a bond.

Answer: <https://biology-forums.com/index.php?topic=1819315>

Question 639

If in the short run prices did not respond at all to changes in aggregate demand, the short-run aggregate supply curve would

- A) be vertical.
- B) be horizontal.
- C) slope up.
- D) slope down.

Answer: <https://biology-forums.com/index.php?topic=1820145>

Question 640

A purchase of foreign assets by a central bank has the same impact on the monetary base as

- A) an open market purchase of government securities.
- B) an open market sale of government securities.
- C) an increase in the discount rate.
- D) a reduction in the interest rate on reserves.

Answer: <https://biology-forums.com/index.php?topic=1820014>

Question 641

The coupon rate is the

- A) annual coupon payment divided by the face value of the bond.
- B) annual coupon payment divided by the market value of the bond.
- C) difference between the face value of the bond and its par value.
- D) coupon paid every 6 months divided by par value.

Answer: <https://biology-forums.com/index.php?topic=1818402>

Question 642

The fee charged by the seller of an option is referred to as the

- A) market price.
- B) option premium.
- C) futures fee.
- D) call price.

Answer: <https://biology-forums.com/index.php?topic=1818962>

Question 643

The United States has a dual banking system in the sense that

- A) the public may deposit money in either commercial banks or savings-and-loan associations.
- B) banks offer both demand deposits and time deposits to savers.
- C) banks are chartered by the federal government and by state governments.
- D) banks both take in deposits and make loans.

Answer: <https://biology-forums.com/index.php?topic=1819380>

Question 644

At an interest rate of 6%, how much will need to be invested today to have \$10,000 in 5 years?

- A) \$5,000
- B) \$7,473
- C) \$10,000
- D) \$13,382

Answer: <https://biology-forums.com/index.php?topic=1818380>

Question 645

As wealth increases in the economy, savers are willing to

- A) hold more cash relative to their holdings of bonds.
- B) buy fewer bonds at any given price.
- C) buy more bonds at any given price.
- D) lend less at any given interest rate.

Answer: <https://biology-forums.com/index.php?topic=1818523>

Question 646

Fannie Mae and Freddie Mac both

- A) sell bonds to investors and use the funds to purchase mortgages.
- B) help regulate the banking system.
- C) directly lend funds to people seeking mortgages.
- D) reduce access to funds for mortgages by purchasing existing mortgages.

Answer: <https://biology-forums.com/index.php?topic=1818236>

Question 647

The information lag facing the Fed is

- A) the difficulty of becoming informed quickly of changes in public opinion about which policy goal is most important.
- B) the delay in receiving accurate information about the state of the economy.
- C) the delay in Congress and the president communicating their policy goals for the Fed to act on.
- D) the time required for monetary policy changes to affect output, employment, and prices.

Answer: <https://biology-forums.com/index.php?topic=1819955>

Question 648

Given the behavior of the stock market in recent years

- A) most economists still think the efficient markets hypothesis is an accurate description of the daily behavior of the stock market.
B) most economists think the efficient markets hypothesis provides little insight into the behavior of the stock market.
C) most economists think the rational investor can outperform the stock market in the long run.
D) many economists still believe that it is unlikely that investors can hope to earn above-average returns in the stock market by following traditional strategies.

Answer: <https://biology-forums.com/index.php?topic=1818854>

Question 649

Initially, the securities traded in the financial markets established in the 1790s were primarily

- A) government bonds and bonds issued by the Bank of England.
B) stock issued by the largest companies in Europe.
C) stock issued by the Bank of the United States and government bonds.
D) government bonds and private bonds issued by the 30 largest domestic corporations.

Answer: <https://biology-forums.com/index.php?topic=1819132>

Question 650

When banks hold excess reserves, the size of the money multiplier

- A) is less than the simple deposit multiplier would suggest.
B) is greater than the simple deposit multiplier would suggest.
C) is equal to the size of the simple deposit multiplier.
D) becomes infinite.

Answer: <https://biology-forums.com/index.php?topic=1819810>

Question 651

The euro is

- A) the currency of all nations in Europe.
B) the rate at which the French central bank makes discount loans.
C) a common currency of many European countries.
D) the name of the European central bank.

Answer: <https://biology-forums.com/index.php?topic=1820085>

Question 652

The bond supply curve slopes up because

- A) interest rates rise as bond prices rise.
B) when bond prices are high, inflation is high.
C) the lender is willing and able to offer more bonds when the price of the bond is low.
D) the borrower is willing and able to offer more bonds when the price of the bond is high.

Answer: <https://biology-forums.com/index.php?topic=1818532>

Question 653

An unsterilized foreign-exchange intervention occurs

- A) whenever a central bank purchases or sells domestic currency.
B) whenever a central bank purchases or sells foreign currency.
C) whenever a central bank allows the monetary base to respond to the sale or purchase of domestic currency.
D) whenever a central bank fails to reduce its holdings of gold by the amount of a foreign-exchange purchase.

Answer: <https://biology-forums.com/index.php?topic=1820007>

Question 654

All of the following statements about secondary credit are true EXCEPT

- A) they are temporary, short-term loans to satisfy seasonal requirements.
B) the secondary credit interest rate is set above the primary credit rate.
C) it is intended for banks not eligible for primary credit.
D) borrowers of secondary credit are less financially healthy.

Answer: <https://biology-forums.com/index.php?topic=1819923>

Question 655

Given that most banks have positive gap and negative durations, banks prefer

- A) lower market interest rates.
B) higher market interest rates.
C) higher market fixed rates but lower market floating rates.

D) either higher or lower market interest rates since interest rates have little effect on bank profits.

Answer: <https://biology-forums.com/index.php?topic=1819366>

Question 656

As a result of the financial crisis, checkable deposits

- A) became a smaller portion of overall liabilities.
- B) experienced little change.
- C) hit a new record high in terms of the percent of liabilities.
- D) roughly doubled in terms of the percent of liabilities.

Answer: <https://biology-forums.com/index.php?topic=1819303>

Question 657

If the forward exchange rate of the dollar in terms of pounds is less than the spot exchange rate

- A) inflation must be lower in the United States than in Britain.
- B) inflation must be higher in the United States than in Britain.
- C) market participants must be expecting the dollar to appreciate against the pound.
- D) market participants must be expecting the dollar to depreciate against the pound.

Answer: <https://biology-forums.com/index.php?topic=1819103>

Question 658

In 1971, money market mutual funds were introduced as an alternative to

- A) commercial paper.
- B) Treasury bills.
- C) repurchase agreements.
- D) bank deposits.

Answer: <https://biology-forums.com/index.php?topic=1819614>

Question 659

In derivative markets, trade takes place in

- A) assets such as bonds or common stock that derive their value from the value of the companies which issue them.
- B) assets whose rates of returns must be derived from information published in financial tables.
- C) assets that derive their value from underlying assets.
- D) assets which are not allowed to be traded on organized exchanges.

Answer: <https://biology-forums.com/index.php?topic=1818857>

Question 660

Why has the IMF come in for widespread criticism for its handling of the Asian financial crisis?

- A) It refused to make loans to any of the countries whose currencies were under speculative attack.
- B) Its policies did not sufficiently punish speculators with losses, giving rise to moral hazard.
- C) Its policies led to unsustainably low interest rates in a number of Asian countries.
- D) Its policies failed to lead to sufficient hardship for citizens in a number of Asian countries, giving rise to moral hazard.

Answer: <https://biology-forums.com/index.php?topic=1820071>

Question 661

Which government agency regulates futures markets?

- A) SEC
- B) Commodity Futures Trading Commission
- C) Board of Trade
- D) the Federal Futures Agency

Answer: <https://biology-forums.com/index.php?topic=1819497>

Question 662

The Beige Book is prepared by

- A) district banks.
- B) the Board of Governors.
- C) FOMC staff members.
- D) the Commerce Department.

Answer: <https://biology-forums.com/index.php?topic=1819662>

Question 663

Since 1980, the M2 multiplier has been

- A) less stable than the M1 multiplier.
- B) more stable than the M1 multiplier.
- C) very stable, as has the M1 multiplier.
- D) very unstable, as has the M1 multiplier.

Answer: <https://biology-forums.com/index.php?topic=1819834>

Question 664

The FDIC _____ short-term borrowing by shadow banks, and shadow banks are normally _____ to receive loans from the Fed when they suffer liquidity problems.

- A) insures; eligible
- B) insures; not eligible
- C) does not insure; eligible
- D) does not insure; not eligible

Answer: <https://biology-forums.com/index.php?topic=1819506>

Question 665

If you are indifferent between investing \$1,000 for one year in a U.S. Treasury security that has an interest rate of 5% or in a Canadian government security that has an interest rate of 8%, you must be expecting

- A) the inflation rate in the United States will be higher than the inflation rate in Canada during the year.
- B) the U.S. dollar to depreciate against the Canadian dollar by 3% during the year.
- C) the U.S. dollar to appreciate against the Canadian dollar by 3% during the year.
- D) productivity growth in Canada to be greater than productivity growth in the United States during the year.

Answer: <https://biology-forums.com/index.php?topic=1819082>

Question 666

The original Federal Reserve Act

- A) specified open market operations as the Fed's main policy tool.
- B) specified open market operations as one of several Fed policy tools.
- C) specified that open market operations be employed by the Fed only in circumstances where discount loans were ineffective.
- D) did not specifically mention open market operations.

Answer: <https://biology-forums.com/index.php?topic=1819895>

Question 667

Which of the following statements about ACH transactions is FALSE?

- A) They reduce the likelihood of missed payments.
- B) They reduce transactions costs associated with check processing.
- C) They reduce the costs that lenders incur in notifying customers of missed payments.
- D) They typically involve digital cash.

Answer: <https://biology-forums.com/index.php?topic=1818321>

Question 668

Banks in the United States have been prohibited from investing deposits in significant equity holdings since the passage of the

- A) Bank Reform Act of 1980.
- B) Securities and Exchange Acts of 1933 and 1934.
- C) National Banking Acts of 1863 and 1864.
- D) Sherman Antitrust Act of 1890.

Answer: <https://biology-forums.com/index.php?topic=1819375>

Question 669

About what percentage of bank assets were loans in 2016?

- A) 11%
- B) 22%
- C) 37%
- D) 59%

Answer: <https://biology-forums.com/index.php?topic=1819291>

Question 670

Which agency did Congress create in the 1930s to reduce information costs in financial markets?

- A) FDIC
- B) SEC
- C) Federal Reserve
- D) Consumer Financial Protection Agency

Answer: <https://biology-forums.com/index.php?topic=1819494>

Question 671

Explain why some economists claim that the persistence of high unemployment rates during the recovery from the recession of 2007–2009 is evidence of "hysteresis."

Answer: <https://biology-forums.com/index.php?topic=1820211>

Question 672

The issue of Fed independence is most often raised by

- A) disagreement over the role the Fed should play in managing monetary policy.
- B) the Fed's refusal to carry out the wishes of the president.
- C) the Fed's refusal to carry out the wishes of Congress.
- D) the public's negative reaction to Fed policy.

Answer: <https://biology-forums.com/index.php?topic=1819709>

Question 673

Refer to Table 5.1 On this day, what did investors expect the interest rate to be on the one-year Treasury bill in two years if the term premium on a two-year Treasury note is 0.25% and the term premium on a three-year Treasury note is 0.75%?

- A) 2.375%
- B) 3.25%
- C) 3.50%
- D) 4.75%

Answer: <https://biology-forums.com/index.php?topic=1818729>

Question 674

If a British automobile sells for £20,000 and the British pound is worth \$1.50, then the dollar price of the automobile is

- A) \$1.60.
- B) \$12,500.
- C) \$20,000.
- D) \$30,000.

Answer: <https://biology-forums.com/index.php?topic=1819008>

Question 675

Suppose a bank has \$10 million in capital, \$100 million in assets, and after-tax profit of \$2 million. what is its return on assets? What is its return on equity?

Answer: <https://biology-forums.com/index.php?topic=1819333>

Question 676

Suppose that Acme Widget is currently selling for \$100 per share and you own a call option to buy Acme Widget at \$75 per share. The intrinsic value of your option is

- A) \$25.
- B) \$75.
- C) \$100.
- D) not possible to determine in the absence of information on values of the share price of Acme Widget between now and the expiration date of the call option.

Answer: <https://biology-forums.com/index.php?topic=1818966>

Question 677

By "specialization" economists mean a situation where

- A) individuals produce the goods or services for which they have relatively the best ability.
- B) goods are traded directly for goods and money is not used.
- C) individuals who produce goods do not also produce services and individuals who produce services do not also produce goods.

D) individuals are assigned to occupations on the basis of tests that gauge their relative abilities.

Answer: <https://biology-forums.com/index.php?topic=1818252>

Question 678

A discount bond resembles a simple loan in that

- A) the interest on neither is taxable.
- B) the borrower repays in a single payment.
- C) both represent assets to the borrowers who issue them.
- D) both have par values greater than their face values.

Answer: <https://biology-forums.com/index.php?topic=1818398>

Question 679

Banks have a maturity mismatch since

- A) they borrow long term, but lend short term.
- B) they borrow short term, but lend long term.
- C) some of their loans are short term while others are long term.
- D) some of their borrowings are short term while others are long term.

Answer: <https://biology-forums.com/index.php?topic=1819511>

Question 680

To help offset the costs from loan defaults, the First National Bank of Gotham decides to increase the interest rate it charges on its business loans. As a result of this increase in the interest rate, the creditworthiness of Gotham's loan applicants is likely to

- A) improve.
- B) deteriorate.
- C) be unchanged.
- D) be unchanged, unless the economy enters a recession at the same time as the interest rate is increased.

Answer: <https://biology-forums.com/index.php?topic=1819171>

Question 681

Countries in which region experienced disruptive capital flows in 1997-98?

- A) Eastern Europe
- B) Western Europe
- C) Latin America
- D) East Asia

Answer: <https://biology-forums.com/index.php?topic=1820031>

Question 682

Diversification is most effective in reducing

- A) market risk.
- B) systemic risk.
- C) idiosyncratic risk.
- D) all forms of risk.

Answer: <https://biology-forums.com/index.php?topic=1818509>

Question 683

Suppose the Fed sells \$500,000 worth of securities to First National Bank. Illustrate the immediate effect on the bank's balance sheet.

Answer: <https://biology-forums.com/index.php?topic=1819807>

Question 684

Which investment bank avoided bankruptcy by being purchased by JP Morgan Chase in March 2008?

- A) Morgan Stanley
- B) Lehman Brothers
- C) Bear Stearns
- D) Merrill Lynch

Answer: <https://biology-forums.com/index.php?topic=1819581>

Question 685

According to the equation of exchange, if the quantity of money decreases and the velocity of money remains constant, then

- A) the level of real GDP must decrease.

- B) the level of nominal GDP must decrease.
- C) the price level must decrease.
- D) the level of inflation must increase.

Answer: <https://biology-forums.com/index.php?topic=1818365>

Question 686

When the Fed allows the monetary base to respond to the purchase or sale of domestic currency in the foreign exchange market, the process is called

- A) open market operations.
- B) hedging.
- C) sterilized intervention.
- D) unsterilized intervention.

Answer: <https://biology-forums.com/index.php?topic=1820010>

Question 687

Congress established the FOMC because

- A) a group was needed to set reserve requirements for member banks.
- B) of a lack of coordination among district banks in carrying out open market operations.
- C) Congress was attempting to expand its influence within the Federal Reserve System.
- D) a group was needed to coordinate the setting of discount rates by the district banks.

Answer: <https://biology-forums.com/index.php?topic=1819898>

Question 688

According to the theory of purchasing power parity, if the inflation rate in England is greater than the inflation rate in Japan

- A) the law of one price has been violated.
- B) the nominal value of the pound will appreciate against the yen.
- C) the nominal value of the yen will appreciate against the pound.
- D) the nominal value of the pound will appreciate against the yen, but only if the two countries are on the gold standard.

Answer: <https://biology-forums.com/index.php?topic=1819048>

Question 689

The output gap can best be described as

- A) the percentage difference between real GDP and its potential.
- B) the difference between GDP in the current year compared to the previous year.
- C) the difference between a nation's GDP and that of the nation with the highest GDP.
- D) the difference between GDP and its forecasted level.

Answer: <https://biology-forums.com/index.php?topic=1819986>

Question 690

Federal Reserve districts

- A) conform to state boundaries.
- B) group together economically similar states.
- C) have equal populations.
- D) cut across state and economic boundaries.

Answer: <https://biology-forums.com/index.php?topic=1819637>

Question 691

According to the Gordon growth model, if the stock price is \$21, required return on equity is 10% and the current dividend is \$1, what is the expected growth rate of dividends?

- A) 2%
- B) 5%
- C) 10%
- D) 15%

Answer: <https://biology-forums.com/index.php?topic=1818767>

Question 692

On the books of the Fed, the difference between borrowed reserves and discount loans is equal to

- A) excess reserves.
- B) required reserves.
- C) currency in circulation.
- D) zero; they are the same thing.

Answer: <https://biology-forums.com/index.php?topic=1819781>

Question 693

The risk structure of interest rates refers to

- A) the amount of additional interest necessary to compensate savers for the greater risk of default on some bonds.
- B) the relationship among the interest rates on similar bonds with different maturities.
- C) the relationship among the interest rates on bonds with the same maturity.
- D) the amount of additional yield necessary to compensate savers for the lesser liquidity of some bonds.

Answer: <https://biology-forums.com/index.php?topic=1818626>

Question 694

An open market purchase

- A) increases the monetary base.
- B) decreases the monetary base.
- C) increases the federal funds rate.
- D) is another name for a discount loan.

Answer: <https://biology-forums.com/index.php?topic=1819894>

Question 695

The expectations theory

- A) has difficulty explaining why U.S. Treasury securities have lower yields than corporate bonds.
- B) has difficulty explaining why yields on bonds of different maturities move together.
- C) has difficulty explaining why yield curves usually slope upward.
- D) accounts well for the fact that yield curves usually slope upward.

Answer: <https://biology-forums.com/index.php?topic=1818704>

Question 696

Which of the following is NOT a bank liability?

- A) checkable deposits
- B) CDs
- C) mortgage loans
- D) borrowings from the Federal Reserve

Answer: <https://biology-forums.com/index.php?topic=1819258>

Question 697

The difference between a savings deposit and a time deposit is

- A) time deposits pay no interest.
- B) savings deposits pay no interest.
- C) time deposits have specified maturities.
- D) savings deposits have specified maturities.

Answer: <https://biology-forums.com/index.php?topic=1819271>

Question 698

Apart from the United States, in countries where central bank board members serve fixed terms of office

- A) none have terms as long as fourteen years.
- B) many serve for life or good behavior.
- C) all have terms longer than fourteen years.
- D) the head of the central bank rarely has a term longer than one year.

Answer: <https://biology-forums.com/index.php?topic=1819721>

Question 699

The size of the money multiplier depends upon all of the following EXCEPT

- A) the required reserve ratio.
- B) the currency-deposit ratio.
- C) excess reserves relative to deposits.
- D) the discount rate.

Answer: <https://biology-forums.com/index.php?topic=1819817>

Question 700

Symmetric information

- A) is the same as perfect information.
- B) holds under the assumption of rational expectations.
- C) is true only in efficient markets.
- D) means that savers and borrowers have the same information.

Answer: <https://biology-forums.com/index.php?topic=1819177>

Question 701

If you deposit \$10,000 in a savings account at an annual interest rate of 6%, how much will you have in the account at the end of three years?

- A) \$8,396
- B) \$10,600
- C) \$11,800
- D) \$11,910

Answer: <https://biology-forums.com/index.php?topic=1818378>

Question 702

A rising dollar makes U.S. goods

- A) more expensive abroad and increases the volume of U.S. exports.
- B) less expensive abroad and increases the volume of U.S. exports.
- C) less expensive abroad and decreases the volume of U.S. exports.
- D) more expensive abroad and decreases the volume of U.S. exports.

Answer: <https://biology-forums.com/index.php?topic=1819857>

Question 703

According to a Federal Reserve study, electronic payments now make up _____ of all noncash payments.

- A) 15 percent
- B) just under half
- C) more than two-thirds
- D) just under 90 percent

Answer: <https://biology-forums.com/index.php?topic=1818326>

Question 704

Because of the breakdown in the relationship between the growth of the money supply and inflation, since 1993, the Fed

- A) no longer announces targets for M1 or M2.
- B) has announced targets for M1 or M2.
- C) has announced a target for M1 instead of M2.
- D) has announced a target for M2 instead of M1.

Answer: <https://biology-forums.com/index.php?topic=1819965>

Question 705

By 2015, what share of U.S. assets were held by the 10 largest banks in the United States?

- A) 10%
- B) 29%
- C) 53%
- D) 68%

Answer: <https://biology-forums.com/index.php?topic=1819377>

Question 706

The largest financial market in the world is the

- A) stock market.
- B) bond market.
- C) options market.
- D) foreign exchange market.

Answer: <https://biology-forums.com/index.php?topic=1819034>

Question 707

In July 2016, concern was raised about Puerto Rico's sovereign debt. Make use of a graph of the bond market to show how this would affect the price of Puerto Rican bonds.

Answer: <https://biology-forums.com/index.php?topic=1818560>

Question 708

What is meant by senior debt?

- A) debt that has been around for the longest period of time
- B) debt that must be paid before junior debt is paid
- C) debt owed to the federal government
- D) debt issued by the federal government as opposed to states or corporations

Answer: <https://biology-forums.com/index.php?topic=1819613>

Question 709

Describe the four stages of the financial regulatory pattern.

Answer: <https://biology-forums.com/index.php?topic=1819619>

Question 710

Which of the following bond ratings by Moody's Investors Service would NOT be considered to be below investment grade?

- A) Baa
- B) Ba
- C) B
- D) All of these ratings are considered below investment grade.

Answer: <https://biology-forums.com/index.php?topic=1818642>

Question 711

Which bond would someone in a 35% tax bracket choose to buy: a municipal bond with an interest rate of 7% or a corporate bond with an interest rate of 10%?

Answer: <https://biology-forums.com/index.php?topic=1818683>

Question 712

As wealth decreases, which of the following is likely to account for a larger fraction of a saver's portfolio?

- A) corporate stock
- B) corporate bonds
- C) U.S. government securities
- D) checking account balance

Answer: <https://biology-forums.com/index.php?topic=1818487>

Question 713

The original intention of the Fed's role as lender of last resort was to make loans to banks that were

- A) not illiquid nor insolvent.
- B) illiquid, but not insolvent.
- C) insolvent, but not illiquid.
- D) both illiquid and insolvent.

Answer: <https://biology-forums.com/index.php?topic=1819516>

Question 714

What are three reasons that the interest-rate parity condition may not always hold?

Answer: <https://biology-forums.com/index.php?topic=1819120>

Question 715

A stock option is said to be "out of the money" if the

- A) strike price equals the exercise price.
- B) stock price equals the strike price.
- C) strike price exceeds the stock price.
- D) stock price exceeds the strike price.

Answer: <https://biology-forums.com/index.php?topic=1818965>

Question 716

Which central bank gained the power to set interest rates independent of the government in the late 1990s?

- A) Bank of England
- B) Bank of Canada
- C) Bank of China

D) Federal Reserve Bank

Answer: <https://biology-forums.com/index.php?topic=1819723>

Question 717

A decline in bank lending has the most significant effect on

- A) small businesses.
- B) large businesses.
- C) state governments.
- D) the federal government.

Answer: <https://biology-forums.com/index.php?topic=1818217>

Question 718

In 2012, the European Central Bank bought the debt of which nation?

- A) the United States
- B) France
- C) Spain
- D) Germany

Answer: <https://biology-forums.com/index.php?topic=1820090>

Question 719

An interest rate swap involving the exchange of floating-rate obligations for fixed-rate obligations is known as

- A) a swaption.
- B) a swap option.
- C) forward swaps.
- D) plain vanilla.

Answer: <https://biology-forums.com/index.php?topic=1818990>

Question 720

In 2012, many investors feared that Greece may default on its bonds. Make use of a graph of the bond market to show how this affected interest rates on Greek bonds.

Answer: <https://biology-forums.com/index.php?topic=1818583>

Question 721

What are the advantages of bank deposits compared to other types of assets?

Answer: <https://biology-forums.com/index.php?topic=1819308>

Question 722

A balance sheet

- A) is a statement showing an individual's or a firm's financial position at a particular point in time.
- B) is a statement showing an individual's or a firm's income over a period of time.
- C) is a statement listing the tax liabilities incurred by an individual or a firm.
- D) can be constructed for any nonfinancial firm, but cannot be constructed for a financial firm.

Answer: <https://biology-forums.com/index.php?topic=1819253>

Question 723

If there were no adverse selection problems in the stock market

- A) some well-run firms would pay more to raise funds.
- B) some poorly-run firms would pay less to raise funds.
- C) the willingness of savers to invest in the market would be increased.
- D) the volume of new stock issues would be lower.

Answer: <https://biology-forums.com/index.php?topic=1819168>

Question 724

Risk that is common to all assets of a certain type is referred to as

- A) systematic risk.
- B) unsystematic risk.
- C) idiosyncratic risk.
- D) structural risk.

Answer: <https://biology-forums.com/index.php?topic=1818500>

Question 725

Capital inflow restrictions

- A) receive less support from economists than full capital controls.
- B) may lessen domestic lending booms and risk-taking by domestic banks.
- C) were imposed in the United States during the late 1990s.
- D) were imposed in Europe in May 2000.

Answer: <https://biology-forums.com/index.php?topic=1820032>

Question 726

Forward contracts

- A) are highly liquid.
- B) entail small information costs.
- C) provide little risk sharing.
- D) are subject to default risk.

Answer: <https://biology-forums.com/index.php?topic=1818880>

Question 727

All of the following are associated with rising inflation EXCEPT

- A) income redistribution.
- B) a steady decrease in interest rates.
- C) firms hesitating to enter into long-term contracts with suppliers.
- D) families having trouble deciding how much to save for retirement.

Answer: <https://biology-forums.com/index.php?topic=1819840>

Question 728

Which central bank has its exchange rate as a focus of its monetary policy?

- A) Bank of Canada
- B) Bank of England
- C) European Central Bank
- D) Federal Reserve

Answer: <https://biology-forums.com/index.php?topic=1819983>

Question 729

Why do higher interest rates increase adverse selection problems in the loan market?

- A) Higher interest rates reduce the gains from economies of scale.
- B) As interest rates rise, the creditworthiness of the average loan applicant declines.
- C) Higher interest rates reduce information problems in the loan market.
- D) At higher interest rates fewer investment projects are profitable.

Answer: <https://biology-forums.com/index.php?topic=1819172>

Question 730

If the Japanese yen appreciates against the U.S. dollar

- A) Japanese businesses gain by a decrease in the dollar price of exports to the United States.
- B) Japanese consumers gain by a decrease in the yen price of U.S. exports to Japan.
- C) Japanese consumers lose by an increase in the yen price of U.S. exports to Japan.
- D) U.S. consumers gain by a decrease in the dollar price of Japanese exports to the United States.

Answer: <https://biology-forums.com/index.php?topic=1819012>

Question 731

Hedge funds have been criticized for

- A) their heavy use of short selling.
- B) their inability to mobilize a large amount of funds.
- C) forcing quick price changes that reduce market inefficiencies.
- D) excessive use of hedging strategies.

Answer: <https://biology-forums.com/index.php?topic=1819464>

Question 732

When interest rates in the bond market rise

- A) adverse selection problems increase.
- B) adverse selection problems are mitigated.
- C) moral hazard problems increase.
- D) moral hazard problems are mitigated.

Answer: <https://biology-forums.com/index.php?topic=1819169>

Question 733

Factoring

- A) involves selling stocks and using the proceeds to buy bonds.
- B) is purchasing accounts receivable at a discount.
- C) is calculating the optimal par values of stocks and bonds.
- D) has been declared illegal under the Factoring Reform Act of 1994.

Answer: <https://biology-forums.com/index.php?topic=1819459>

Question 734

The difference between a demand deposit and a NOW account is that

- A) checks may not be written against NOW account balances.
- B) demand deposits pay no interest.
- C) NOW accounts pay no interest.
- D) checks may not be written against demand deposit balances.

Answer: <https://biology-forums.com/index.php?topic=1819260>

Question 735

Fundamentally, to reap the benefits of specialization, an economy must

- A) be heavily industrial.
- B) be heavily agricultural.
- C) have an extensive system of higher education.
- D) develop ways for individuals to trade goods with one another.

Answer: <https://biology-forums.com/index.php?topic=1818255>

Question 736

As of 2016, mortgage-backed securities made up what portion of securities held by a bank?

- A) 5%
- B) 29%
- C) 57%
- D) 75%

Answer: <https://biology-forums.com/index.php?topic=1819305>

Question 737

One difference between futures and options contracts is

- A) funds change hands daily in the case of options but not with futures.
- B) funds change hands daily in the case of futures, but not with options.
- C) in the case of futures, funds only change hands when they are exercised.
- D) futures are designed to reduce risk while options are not.

Answer: <https://biology-forums.com/index.php?topic=1818954>

Question 738

What are the four explanations given as to why the Fed did not intervene to stabilize the banking system during the Great Depression?

Answer: <https://biology-forums.com/index.php?topic=1819579>

Question 739

Alt-A borrowers were those who

- A) used mortgages to purchase apartments.
- B) chose adjustable-rate mortgages instead of fixed-rate mortgages.
- C) borrowed using "interest-only" mortgages.
- D) did not provide documentation of their income when applying for a mortgage.

Answer: <https://biology-forums.com/index.php?topic=1818243>

Question 740

In October 2008, the Fed cut its target for the federal funds rate to

- A) less than 1%.
- B) 1.75%
- C) 2.25%.
- D) 2.75%.

Answer: <https://biology-forums.com/index.php?topic=1819592>

Question 741

The main difference between a sterilized intervention and unsterilized intervention in the foreign exchange market is

- A) a sterilized intervention is coordinated with other nations.
- B) an unsterilized intervention does not change the exchange rate.
- C) an unsterilized intervention does not change the monetary base.
- D) a sterilized intervention does not change the monetary base.

Answer: <https://biology-forums.com/index.php?topic=1820015>

Question 742

Which of the following statements about a checking deposit is TRUE?

- A) It is a liability for both households and banks.
- B) It is an asset for both households and banks.
- C) It is an asset for households but a liability for a bank.
- D) It is a liability for households but an asset for a bank.

Answer: <https://biology-forums.com/index.php?topic=1819299>

Question 743

How do new Keynesians use menu costs to help explain price stickiness in the short run?

Answer: <https://biology-forums.com/index.php?topic=1820167>

Question 744

Suppose that your marginal federal income tax rate is 30%, the sum of your marginal state and local tax rates is 5%, and the yield on a thirty-year corporate bond is 10%. You would be indifferent between buying this corporate bond and buying a thirty-year municipal bond issued within your state (ignoring differences in liquidity, risk, and costs of information) if the municipal bond has a yield of

- A) 6.5%.
- B) 7.0%.
- C) 9.5%.
- D) 10.0%.

Answer: <https://biology-forums.com/index.php?topic=1818662>

Question 745

At the beginning of the financial crisis, banks were hurt by all of the following EXCEPT

- A) declines in the value of mortgage-backed securities.
- B) defaults on mortgages by those with subprime mortgages.
- C) holding too many Treasury bonds.
- D) not being repaid on loans to real estate developers.

Answer: <https://biology-forums.com/index.php?topic=1818245>

Question 746

Which of the following did NOT significantly exacerbate the banking crisis of the early 1930s?

- A) the Fed's decision not to make loans to insolvent banks
- B) the large number of small, poorly diversified banks
- C) the large number of rural banks that held agricultural loans during a time of falling commodity prices
- D) the large amount of fraud carried out by bank managers

Answer: <https://biology-forums.com/index.php?topic=1819567>

Question 747

If the British pound depreciates against the U.S. dollar

- A) British businesses gain by an increase in the dollar price of exports to the United States.
- B) British consumers gain by a decrease in the pound price of U.S. exports to Britain.
- C) British consumers lose by an increase in the pound price of U.S. exports to Britain.
- D) U.S. consumers lose by an increase in the dollar price of British exports to the United States.

Answer: <https://biology-forums.com/index.php?topic=1819013>

Question 748

An investor who desires the ability to have quick and easy access to cash would prefer to hold which type of asset?

- A) risky
- B) liquid
- C) tax free
- D) any form of bond

Answer: <https://biology-forums.com/index.php?topic=1818504>

Question 749

When a country's real exchange rate depreciates

- A) its nominal exchange rate must have appreciated.
- B) its nominal exchange rate must also have depreciated.
- C) it can trade its goods for fewer units of foreign goods.
- D) it can trade its goods for more units of foreign goods.

Answer: <https://biology-forums.com/index.php?topic=1819019>

Question 750

The M2 multiplier

- A) is larger than the M1 multiplier.
- B) is smaller than the M1 multiplier.
- C) is the same size as the M1 multiplier.
- D) is negative whereas the M1 multiplier is positive.

Answer: <https://biology-forums.com/index.php?topic=1819833>

Question 751

A discount bond involves

- A) interest payments from the borrower to the lender periodically during the life of the loan.
- B) payment by the borrower to the lender of the face value of the loan at maturity.
- C) no payment of principal by the borrower to the lender.
- D) payment of interest by the borrower to the lender every six months during the life of the loan.

Answer: <https://biology-forums.com/index.php?topic=1818399>

Question 752

An increase in the real interest rate causes

- A) the IS curve to shift to the right.
- B) the IS curve to shift to the left.
- C) a movement up the IS curve.
- D) a movement down the IS curve.

Answer: <https://biology-forums.com/index.php?topic=1820231>

Question 753

The nominal exchange rate is

- A) the difference between the interest rate in one country and the interest rate in another country.
- B) the rate at which a bond may be exchanged for currency.
- C) the rate at which a stock may be exchanged for currency.
- D) the price of one country's currency in terms of another's.

Answer: <https://biology-forums.com/index.php?topic=1819006>

Question 754

All of the following are advantages of currency pegging EXCEPT

- A) it reduces exchange rate risk.
- B) it is a check against inflation.
- C) it provides protection for firms that have taken out loans in foreign currencies.
- D) it keeps the exchange rate closer to its equilibrium rate.

Answer: <https://biology-forums.com/index.php?topic=1820088>

Question 755

If fiat money has no value apart from its use as money, how can it be used as a medium of exchange?

Answer: <https://biology-forums.com/index.php?topic=1818306>

Question 756

According to the liquidity premium theory, the yield curve normally has a positive slope because

- A) short-term interest rates are expected to rise.
- B) term premiums rise as the time to maturity increases.
- C) risk premiums rise over time.
- D) long-term bonds are more liquid than short-term bonds.

Answer: <https://biology-forums.com/index.php?topic=1818701>

Question 757

In 1981, the first of the large investment banks to convert from a partnership to a corporation was

- A) Lehman Brothers.
- B) Bear Stearns.
- C) Salomon Brothers.
- D) AIG.

Answer: <https://biology-forums.com/index.php?topic=1819425>

Question 758

By the time of the annual monetary policy conference in Jackson Hole, Wyoming in 2016,

- A) the monetary base and the Fed's balance sheet remained very large, and the target for the federal funds rate had only slightly risen.
- B) the monetary base and the Fed's balance sheet decreased dramatically, but the target for the federal funds rate had only slightly risen.
- C) the monetary base and the Fed's balance sheet remained very large, but the target for the federal funds rate had returned to its pre-financial-crisis level.
- D) the monetary base and the Fed's balance sheet, as well as the target for the federal funds rate, had returned to pre-financial-crisis levels.

Answer: <https://biology-forums.com/index.php?topic=1819947>

Question 759

A key reason that FOMC members expected that their target for the federal funds rate in 2016 would be higher than it actually was is that they had expected the growth rate of real GDP to be _____ and the inflation rate to be _____ than they actually were.

- A) higher; higher
- B) higher; lower
- C) lower; higher
- D) lower; lower

Answer: <https://biology-forums.com/index.php?topic=1820238>

Question 760

How does the use of collateral and net worth help reduce the problem of adverse selection?

Answer: <https://biology-forums.com/index.php?topic=1819239>

Question 761

According to the expectations theory, what will be the interest rate on a three-year bond if a one-year bond has an interest rate of 2% and is expected to have an interest rate of 3% next year and 5% in two year? Report your answer using a percentage with two decimal places.

Answer: <https://biology-forums.com/index.php?topic=1818732>

Question 762

What was the primary reason that Congress initiated deposit insurance in the 1930s?

- A) protect the deposits of individual savers
- B) provide more of an incentive for depositors to monitor bank activities
- C) reduce systemic risk to the financial system
- D) reduce information problems in the banking system

Answer: <https://biology-forums.com/index.php?topic=1819495>

Question 763

Collateral is

- A) the interest rate that banks charge high-quality borrowers.
- B) assets pledged to the bank in the event the borrower defaults.
- C) the difference between the value of a bank's assets and the value of a bank's liabilities.
- D) required reserves minus excess reserves.

Answer: <https://biology-forums.com/index.php?topic=1819345>

Question 764

On a bank's balance sheet, total assets are equal to

- A) total liabilities.
- B) bank capital.
- C) total liabilities plus bank capital.
- D) total liabilities minus bank capital.

Answer: <https://biology-forums.com/index.php?topic=1819306>

Question 765

Swaps differ from futures and options in all of the following ways EXCEPT

- A) swaps are intended to reduce the risk faced by participants.
- B) swaps have more flexibility.
- C) swaps have more privacy.
- D) swaps have less regulation.

Answer: <https://biology-forums.com/index.php?topic=1818988>

Question 766

For a specific change in the yield to maturity

- A) the shorter the time until a bond matures, the greater will be the change in its price.
- B) the longer the time until a bond matures, the greater will be the change in its price.
- C) the longer the time until a bond matures, the greater will be the change in its par value.
- D) the shorter the time until a bond matures, the greater will be the change in its coupon rate.

Answer: <https://biology-forums.com/index.php?topic=1818462>

Question 767

Since the year 2000, total currency in circulation

- A) has fallen by 20 percent.
- B) has remained essentially the same.
- C) has more than tripled.
- D) has increased tenfold.

Answer: <https://biology-forums.com/index.php?topic=1818304>

Question 768

Limits on the value of the assets that commercial banks can acquire relative to their capital is known as

- A) equity requirements.
- B) capital requirements.
- C) required reserves.
- D) asset requirements.

Answer: <https://biology-forums.com/index.php?topic=1819332>

Question 769

The introduction of money to an economy results in

- A) higher incomes.
- B) higher productivity.
- C) increased specialization.
- D) all of the above.

Answer: <https://biology-forums.com/index.php?topic=1818272>

Question 770

Adverse selection and moral hazard are examples of

- A) transactions costs.
- B) information costs.
- C) symmetric information.
- D) financial market efficiency.

Answer: <https://biology-forums.com/index.php?topic=1819155>

Question 771

The currency premium in foreign-exchange markets

- A) helps to offset anticipated declines in exchange rates.
- B) helps to offset anticipated increases in exchange rates.
- C) indicates investors' collective preference for financial instruments denominated in one currency relative to those denominated in another.
- D) rises as domestic interest rates fall.

Answer: <https://biology-forums.com/index.php?topic=1819093>

Question 772

Which best describes a credit default swap?

- A) It is designed to reduce interest-rate risk.
- B) The issuer receives payments from the buyer in return for agreeing to make payments to the buyer if the security goes into default.
- C) Issuers are taking out insurance in case of default.
- D) It represents a way for the issuer to establish its creditworthiness.

Answer: <https://biology-forums.com/index.php?topic=1818994>

Question 773

If the price of a futures contract increases, then

- A) the exchange will collect the amount of the increase from the seller of the contract and transfer it to the account of the buyer of the contract.
- B) the exchange will collect the amount of the increase from the buyer of the contract and transfer it to the account of the seller of the contract.
- C) the exchange will collect the amount of the increase from both the buyer and the seller and place it in an escrow account until the delivery date.
- D) the additional funds will not be required from either the buyer or the seller until the delivery date.

Answer: <https://biology-forums.com/index.php?topic=1818914>

Question 774

Financial intermediaries reduce transactions costs by

- A) charging fees to small savers.
- B) charging fees to small investors.
- C) taking advantage of economies of scale.
- D) avoiding risky investments.

Answer: <https://biology-forums.com/index.php?topic=1819147>

Question 775

Which of the following will NOT shift the aggregate demand curve to the right?

- A) a decline in the price level
- B) an increase in government expenditures
- C) an increase in investment
- D) an increase in the money supply

Answer: <https://biology-forums.com/index.php?topic=1820116>

Question 776

Which of the following statements is NOT true of consumer finance companies?

- A) Their borrowers have higher default risk than bank customers.
- B) They charge higher interest rates than banks do on similar loans.
- C) They lend primarily to consumers.
- D) They are strictly regulated by state governments.

Answer: <https://biology-forums.com/index.php?topic=1819456>

Question 777

Expansionary monetary policy consists of all of the following EXCEPT

- A) open market sales.
- B) lower interest rates.
- C) increased monetary base.
- D) increased money supply.

Answer: <https://biology-forums.com/index.php?topic=1819893>

Question 778

Which type of stock should result in the best return according to the efficient markets hypothesis?

- A) a firm that is expected to be highly profitable in the future
- B) a firm that is considered to be undervalued
- C) a firm expected to earn little profit in the future

D) none of the above

Answer: <https://biology-forums.com/index.php?topic=1818823>

Question 779

Suppose the private bond rating agencies ceased to exist. What would be the impact on the bond market?

Answer: <https://biology-forums.com/index.php?topic=1818677>

Question 780

Which of the following is an operating target?

- A) M1
- B) M2
- C) nonborrowed reserves
- D) the inflation rate

Answer: <https://biology-forums.com/index.php?topic=1819962>

Question 781

On a bank's balance sheet, bank capital is considered

- A) an asset.
- B) a liability.
- C) the difference between a firm's assets and its shareholder's equity.
- D) the total amount of funds banks have available to make loans.

Answer: <https://biology-forums.com/index.php?topic=1819297>

Question 782

Which of the following is the lowest rating given to an investment-grade bond by Moody's?

- A) Aa
- B) A
- C) Baa
- D) B

Answer: <https://biology-forums.com/index.php?topic=1818641>

Question 783

If the Fed sterilizes the purchase of foreign assets

- A) its assets and liabilities rise by the same amount.
- B) its assets and liabilities fall by the same amount.
- C) the composition of its assets changes, but its liabilities are unaffected.
- D) the composition of its liabilities changes, but its assets are unaffected.

Answer: <https://biology-forums.com/index.php?topic=1820011>

Question 784

Describe the facts found in the bond market about the relationship between interest rates on bonds of different maturities.

Answer: <https://biology-forums.com/index.php?topic=1818731>

Question 785

A capital gain occurs when the

- A) coupon rate increases.
- B) current yield increases.
- C) price of an asset increases.
- D) yield to maturity increases.

Answer: <https://biology-forums.com/index.php?topic=1818443>

Question 786

Discuss the problems associated with the imposition of capital controls.

Answer: <https://biology-forums.com/index.php?topic=1820035>

Question 787

On which type of unemployment can monetary policy have the most effect? Why?

Answer: <https://biology-forums.com/index.php?topic=1819863>

Question 788

The demand curve for bonds would be shifted to the left by

- A) an increase in expected returns on other assets.
- B) a decrease in the information costs of bonds relative to other assets.
- C) a decrease in expected inflation.
- D) an increase in the liquidity of bonds relative to other assets.

Answer: <https://biology-forums.com/index.php?topic=1818539>

Question 789

Discount loans available to healthy banks which can be used for any purpose are called

- A) primary credit.
- B) secondary credit.
- C) seasonal credit.
- D) repo loans.

Answer: <https://biology-forums.com/index.php?topic=1819924>

Question 790

The Fed's current position towards the existing monetary aggregates is

- A) it is convinced that M1 is the best measure of the money supply.
- B) it is convinced that M2 is the best measure of the money supply.
- C) it is an issue of ongoing research.
- D) it is reverting to considering currency alone as the best measure of the money supply.

Answer: <https://biology-forums.com/index.php?topic=1818338>

Question 791

Which firm did the Treasury allow to fail during the financial crisis?

- A) J.P. Morgan
- B) Bear Stearns
- C) Lehman Brothers
- D) American International Group (AIG)

Answer: <https://biology-forums.com/index.php?topic=1818242>

Question 792

A corporation issues a three year bond with a coupon of \$50 and a face value of \$1,000. Immediately after being issued, market interest rates decline to 4%. What is the price of the bond? Report your answer to the nearest dollar.

Answer: <https://biology-forums.com/index.php?topic=1818453>

Question 793

A loan officer uses a credit scoring system to

- A) compare the interest rate on a loan to interest rates on other assets with comparable risk.
- B) keep track of the fraction of a bank's assets tied up in loans to a single individual or business.
- C) predict statistically whether an individual is likely to default on a loan.
- D) match any particular loan with the deposits being used to fund it.

Answer: <https://biology-forums.com/index.php?topic=1819343>

Question 794

When the Fed sells foreign assets and buys domestic assets at the same time

- A) its assets and liabilities rise by the same amount.
- B) its assets and liabilities fall by the same amount.
- C) the composition of its assets changes, but its liabilities are unaffected.
- D) the composition of its liabilities changes, but its assets are unaffected.

Answer: <https://biology-forums.com/index.php?topic=1820004>

Question 795

The inflation gap can best be described as

- A) the percentage difference between GDP and its potential.
- B) the difference between inflation and its target.
- C) the change in the inflation rate from one year to the next.

D) the difference between the inflation rate and the average inflation rate of that of the nations with the 3 lowest inflation rates.

Answer: <https://biology-forums.com/index.php?topic=1819985>

Question 796

If a member of the Board of Governors is limited to one 14-year term, how did Alan Greenspan serve 19 years on the Board of Governors?

- A) A special exemption was approved for him.
- B) The rule was not in place at the time.
- C) He completed the remaining years left on someone else's term and then served one 14-year term.
- D) He didn't serve consecutive terms.

Answer: <https://biology-forums.com/index.php?topic=1819679>

Question 797

The expected change in the supply and demand for bonds due to an increase in expected inflation will definitely result in

- A) an increase in the equilibrium price of bonds.
- B) an increase in the equilibrium quantity of bonds.
- C) a decrease in the equilibrium price of bonds.
- D) a decrease in the equilibrium quantity of bonds.

Answer: <https://biology-forums.com/index.php?topic=1818579>

Question 798

Which of the following is NOT an example of a monopolistically competitive market?

- A) high fashion clothing
- B) medical care
- C) wheat
- D) automobiles

Answer: <https://biology-forums.com/index.php?topic=1820148>

Question 799

If there is a decrease in foreign demand for U.S. goods due to a recession in Europe

- A) the U.S. aggregate demand curve will shift right.
- B) the U.S. aggregate demand curve will shift left.
- C) the U.S. aggregate demand curve will not be affected.
- D) the U.S. aggregate demand curve will become steeper.

Answer: <https://biology-forums.com/index.php?topic=1820120>

Question 800

Everything else being constant, a lower real interest rate

- A) increases desired saving and net exports.
- B) decreases desired saving but increases net exports.
- C) increases desired saving and investment.
- D) increases desired investment but decreases net exports.

Answer: <https://biology-forums.com/index.php?topic=1820112>

Question 801

In what year did the economy return to normal conditions following the Great Depression?

- A) 1933
- B) 1937
- C) 1941
- D) 1945

Answer: <https://biology-forums.com/index.php?topic=1819564>

Question 802

AIG almost went bankrupt in 2008 because

- A) the value of the securities underlying its credit default swaps declined significantly.
- B) it lacked the collateral required by buyers of its credit default swaps.
- C) prices of securities underlying their credit default swaps were hard to determine since they were no longer actively traded.
- D) all of the above.

Answer: <https://biology-forums.com/index.php?topic=1818996>

Question 803

Which of the following three goals that make up the policy trilemma can be achieved at the same time in the eurozone countries?

- A) exchange rate stability and free capital flows
- B) monetary policy independence and exchange rate stability
- C) free capital flows and monetary policy independence
- D) exchange rate stability, free capital flows, and monetary policy independence

Answer: <https://biology-forums.com/index.php?topic=1820098>

Question 804

Although open market operations and discount loans both change the monetary base, the Fed has

- A) greater control over open market operations than over discount loans.
- B) greater control over discount loans than over open market operations.
- C) very little control over either discount loans or open market operations.
- D) complete control over both discount loans and open market operations.

Answer: <https://biology-forums.com/index.php?topic=1819778>

Question 805

What is the price of a coupon bond that has annual coupon payments of \$85, a par value of \$1,000, a yield to maturity of 10%, and a maturity of three years?

- A) \$211.38
- B) \$898.84
- C) \$962.70
- D) \$1,255.00

Answer: <https://biology-forums.com/index.php?topic=1818428>

Question 806

If $AE > Y$, which of the following will NOT occur?

- A) Inventories will decline.
- B) Actual investment will be more than planned investment.
- C) Employment will increase.
- D) GDP will increase.

Answer: <https://biology-forums.com/index.php?topic=1820212>

Question 807

Which of the following statements is correct?

- A) The volume of open market operations is determined jointly by the actions of the Fed, the banking system, and the nonbank public.
- B) The Fed's control over discount lending is more complete than its control over open market operations.
- C) The Fed completely controls the volume of open market operations.
- D) The Fed has complete control over the volume of both discount loans and open market operations.

Answer: <https://biology-forums.com/index.php?topic=1819779>

Question 808

If the government increases taxes while holding expenditures constant

- A) the bond supply curve will shift to the left and the equilibrium interest rate will fall.
- B) the bond supply curve will shift to the right and the real interest rate will fall.
- C) government borrowing will be increased.
- D) the government's deficit will increase.

Answer: <https://biology-forums.com/index.php?topic=1818550>

Question 809

During most of the time in recent decades, the government sector

- A) has not spent more than it collected in taxes.
- B) has run large deficits.
- C) has run large surpluses.
- D) has balanced its budget every year.

Answer: <https://biology-forums.com/index.php?topic=1818546>

Question 810

The use of collateral

- A) allows banks to charge higher interest rates on loans.
- B) makes it more costly for borrowers to take advantage of their asymmetric information.
- C) makes it more costly for lenders to take advantage of their asymmetric information.
- D) has important tax implications for both borrowers and lenders.

Answer: <https://biology-forums.com/index.php?topic=1819210>

Question 811

Suppose an investment bank has a leverage ratio of 10 and the value of its securities decline by 10%. What happens to its return on equity investment?

- A) declines by 1%
- B) increases by 1%
- C) declines by 100%
- D) increases by 100%

Answer: <https://biology-forums.com/index.php?topic=1819421>

Question 812

In an open economy, desired domestic lending

- A) must equal desired domestic borrowing.
- B) must equal desired domestic borrowing plus the amount of international lending.
- C) is always greater than desired domestic borrowing.
- D) is always less than desired domestic borrowing.

Answer: <https://biology-forums.com/index.php?topic=1818612>

Question 813

The usual response of the banking system to new government regulations is

- A) evasion through whatever means are necessary.
- B) strict compliance.
- C) an attempt to circumvent the regulations through financial innovation.
- D) bankruptcy.

Answer: <https://biology-forums.com/index.php?topic=1819601>

Question 814

A speculator who believes strongly that interest rates will rise would be likely to

- A) buy futures contracts on Treasury bills.
- B) sell futures contracts on Treasury bills.
- C) buy Treasury bonds in the spot market.
- D) increase now the amount of money which he lends.

Answer: <https://biology-forums.com/index.php?topic=1818921>

Question 815

Explain what happens to the nominal interest rate when there is an increase in real GDP. Make use of a graph of the money market to illustrate this change in real GDP and the nominal interest rate.

Answer: <https://biology-forums.com/index.php?topic=1818599>

Question 816

Between late 2007 and 2016, the Fed's balance sheet

- A) remained about the same.
- B) more than doubled.
- C) rose fivefold.
- D) rose tenfold.

Answer: <https://biology-forums.com/index.php?topic=1819786>

Question 817

Economies of scale are

- A) charges to savers and borrowers imposed by banks in exchange for reducing transactions costs.
- B) the reduction in costs per unit that accompanies an increase in volume.
- C) decreases in transactions costs that occur as information costs increase.
- D) decreases in information costs that occur as transactions costs increase.

Answer: <https://biology-forums.com/index.php?topic=1819148>

Question 818

Under the Federal Reserve Act, which banks must be members of the Federal Reserve System?

- A) all commercial banks
- B) national banks
- C) state banks
- D) all banks with capital in excess of \$100 million

Answer: <https://biology-forums.com/index.php?topic=1819651>

Question 819

Briefly explain the difference in how banks and peer-to-peer lenders make profits on loans.

Answer: <https://biology-forums.com/index.php?topic=1818233>

Question 820

Most of the increase in the monetary base between 2008 and 2016 was due to increases in

- A) currency.
- B) bank deposits.
- C) bank reserves.
- D) Treasury bills.

Answer: <https://biology-forums.com/index.php?topic=1819787>

Question 821

The Fed can implement open market operations

- A) more rapidly than changes in reserve requirements, but less rapidly than changes in the discount rate.
- B) more rapidly than changes in the discount rate, but less rapidly than changes in reserve requirements.
- C) less rapidly than either changes in the discount rate or changes in reserve requirements.
- D) more rapidly than either changes in the discount rate or changes in reserve requirements.

Answer: <https://biology-forums.com/index.php?topic=1819919>

Question 822

Suppose a firm receives \$975 for a discount bond with a face value of \$1,000 to be repaid in one year. What is the amount of interest on the bond? What is the interest rate on the bond? Report a percentage with two decimal places.

Answer: <https://biology-forums.com/index.php?topic=1818416>

Question 823

Which function of money eliminates the need for multiple prices for each good as in a barter system?

- A) store of value
- B) standard of deferred payment
- C) unit of account
- D) valuable relative to its weight

Answer: <https://biology-forums.com/index.php?topic=1818298>

Question 824

If the real interest rate is -1.4% and the nominal interest rate is 0.6%, expected inflation equals

- A) -2%.
- B) -0.8%.
- C) 0.8%.
- D) 2%.

Answer: <https://biology-forums.com/index.php?topic=1818482>

Question 825

In a put options contract, the

- A) seller has the obligation to receive the instrument at a specified time.
- B) buyer has the obligation to deliver the instrument at a specified time.
- C) buyer has the obligation to receive the instrument at a specified time.
- D) seller has the obligation to deliver the instrument at a specified time.

Answer: <https://biology-forums.com/index.php?topic=1818957>

Question 826

What is the primary objective of the Financial Stability Oversight Council?

Answer: <https://biology-forums.com/index.php?topic=1819684>

Question 827

Which of the following has the largest impact on short-run movements in exchange rates?

- A) growth rate of exports
- B) growth rate of imports
- C) investment opportunities
- D) changes in the trade deficit

Answer: <https://biology-forums.com/index.php?topic=1819097>

Question 828

If interest rates are lowered in the United States, European investors will be inclined to _____ U.S. financial assets, _____ the value of the U.S. dollar relative to other currencies.

- A) buy; raising
- B) buy; lowering
- C) sell; raising
- D) sell; lowering

Answer: <https://biology-forums.com/index.php?topic=1819067>

Question 829

If the expected path of interest rates on one-year bonds over the next five years is 2%, 4%, 3%, 2%, and 1%, the expectations theory predicts that the bond with the lowest interest rate today is the one with a maturity of

- A) one year.
- B) two years.
- C) three years.
- D) five years.

Answer: <https://biology-forums.com/index.php?topic=1818695>

Question 830

U.S. Treasury bonds

- A) carry no risk of default and are therefore not risky investments.
- B) have constant yields to maturity and are therefore not risky investments.
- C) have constant coupon rates and are therefore not risky investments.
- D) are subject to fluctuations in their market prices and are therefore risky investments.

Answer: <https://biology-forums.com/index.php?topic=1818466>

Question 831

What is a matched sale-purchase transaction (also known as a reverse repo)?

Answer: <https://biology-forums.com/index.php?topic=1819950>

Question 832

Suppose that research shows that by buying stocks issued by companies whose names begin with the letter G investors can earn above-normal returns in even-numbered years. From the perspective of the efficient markets hypothesis

- A) this is further evidence that the hypothesis is correct.
- B) this would be considered a pricing anomaly.
- C) investors must have insider information on these companies.
- D) purchasers of these stocks must have been noise traders.

Answer: <https://biology-forums.com/index.php?topic=1818832>

Question 833

Which of the following is NOT a likely impact on the bond market if corporations become convinced that a robust economic recovery is underway?

- A) increased demand for bonds
- B) increased supply of bonds
- C) lower bond prices
- D) higher interest rates

Answer: <https://biology-forums.com/index.php?topic=1818558>

Question 834

Which of the following will NOT result from an unsterilized intervention in which the central bank sells foreign assets to purchase domestic currency?

- A) Domestic interest rates will rise.
- B) The foreign-exchange value of the domestic currency will rise.
- C) The central bank will experience a decrease in international reserves.
- D) The domestic money supply will rise.

Answer: <https://biology-forums.com/index.php?topic=1820029>

Question 835

The largest institutional participants in capital markets are

- A) pension funds.
- B) insurance companies.
- C) consumer finance companies.
- D) business finance companies.

Answer: <https://biology-forums.com/index.php?topic=1819481>

Question 836

If the price level in Japan increases more rapidly than the price level in Britain, we would expect

- A) interest rates in Japan to be lower than interest rates in Britain.
- B) the Japanese yen to depreciate against the British pound.
- C) the British pound to depreciate against the Japanese yen.
- D) Japanese productivity to have increased more rapidly than British productivity.

Answer: <https://biology-forums.com/index.php?topic=1819037>

Question 837

In what way are other assets less liquid than money?

Answer: <https://biology-forums.com/index.php?topic=1818308>

Question 838

How do payments on a fixed-payment loan differ from a coupon bond?

Answer: <https://biology-forums.com/index.php?topic=1818419>

Question 839

Small business loans are _____ to securitize than are mortgage loans and are _____ to securitize than are balances on credit cards.

- A) more difficult; more difficult
- B) more difficult; easier
- C) easier; more difficult
- D) easier; easier

Answer: <https://biology-forums.com/index.php?topic=1819399>

Question 840

Which country experienced hyperinflation of almost 15 billion percent in 2008?

- A) Argentina
- B) Canada
- C) Iceland
- D) Zimbabwe

Answer: <https://biology-forums.com/index.php?topic=1818359>

Question 841

Which of the following would cause the nominal exchange rate to appreciate?

- A) The real exchange rate depreciates.
- B) The domestic inflation rate decreases.
- C) The domestic inflation rate increases.
- D) The government budget deficit decreases.

Answer: <https://biology-forums.com/index.php?topic=1819063>

Question 842

Which of the following is the most likely result of financial intermediaries?

- A) increased funds available to borrowers
- B) higher transaction costs

- C) higher information costs
- D) lower information cost but higher transaction costs

Answer: <https://biology-forums.com/index.php?topic=1819154>

Question 843

How does an increase in the short-term interest rate affect peoples' desire to hold real money balances?

- A) People will hold more money to compensate for the higher interest rate.
- B) People will hold more money in anticipation of higher inflation.
- C) People will hold less money since they would be sacrificing more interest by holding money.
- D) People will hold less money since it is not worth as much.

Answer: <https://biology-forums.com/index.php?topic=1820123>

Question 844

What are the different forms of bank borrowings?

Answer: <https://biology-forums.com/index.php?topic=1819311>

Question 845

The risk that increased market interest rates will cause a decline in the value of an investment bank's holdings of long-term securities is known as

- A) credit risk.
- B) interest-rate risk.
- C) currency risk.
- D) security risk.

Answer: <https://biology-forums.com/index.php?topic=1819419>

Question 846

On a bank's balance sheet, liabilities are

- A) the uses of acquired assets.
- B) the sources of acquired funds.
- C) all those items of value owned by the bank.
- D) by definition equal to the bank's assets.

Answer: <https://biology-forums.com/index.php?topic=1819255>

Question 847

Modern hedge funds typically make investments that involve

- A) hedging.
- B) speculating.
- C) acquiring safe, short-term assets.
- D) focusing on stocks instead of bonds.

Answer: <https://biology-forums.com/index.php?topic=1819463>

Question 848

Explain what happens to the short-run aggregate supply curve when output exceeds its potential.

Answer: <https://biology-forums.com/index.php?topic=1820169>

Question 849

What actions must a central bank take if it is trying to maintain a pegged exchange rate, but there's downward pressure on the value of its currency.

Answer: <https://biology-forums.com/index.php?topic=1819548>

Question 850

For simple loans, the yield to maturity

- A) is always less than the specified simple interest rate.
- B) is always greater than the specified simple interest rate.
- C) is always equal to the specified simple interest rate.
- D) may be less than, greater than, or equal to the specified simple interest rate, depending on the maturity of the loan.

Answer: <https://biology-forums.com/index.php?topic=1818422>

Question 851

Which criterion is NOT useful when evaluating a theory?

- A) It has predictive power.

- B) It fits one's pre-conceived bias.
- C) It offers a model consistent with investor behavior.
- D) It explains actual data well.

Answer: <https://biology-forums.com/index.php?topic=1818721>

Question 852

When it takes more euros to purchase a dollar, the dollar is said to have

- A) depreciated.
- B) appreciated.
- C) It depends on whether one is using direct or indirect quotations.
- D) It depends on whether one is considering cross rates or exchange rates.

Answer: <https://biology-forums.com/index.php?topic=1819025>

Question 853

Charging drivers with good records lower premiums than drivers with bad records is an example of an attempt by insurance companies to deal with the problem of

- A) moral hazard.
- B) adverse selection.
- C) drunk driving.
- D) failure of policyholders to keep paying their premiums.

Answer: <https://biology-forums.com/index.php?topic=1819478>

Question 854

In comparing the views of economists on stabilization policy in the 1960s with the current views of economists on stabilization policy, one can say

- A) few economists in the 1960s favored stabilization policy, while most economists currently favor stabilization policy.
- B) economists' views on stabilization policy have changed very little since the 1960s.
- C) fewer economists currently believe it is possible to use stabilization policy to fine-tune the economy than in the 1960s.
- D) almost no economists currently believe stabilization policy should be used.

Answer: <https://biology-forums.com/index.php?topic=1820198>

Question 855

When managers do NOT own very much of the net worth of the firm, then

- A) there may be a principal-agent problem.
- B) the firm will usually have to raise most of its funds in financial markets.
- C) the firm will have to rely more on equity financing than debt financing.
- D) the firm will have to rely more on debt financing than equity financing.

Answer: <https://biology-forums.com/index.php?topic=1819198>

Question 856

What is normally the ultimate cause of hyperinflation?

Answer: <https://biology-forums.com/index.php?topic=1818370>

Question 857

Which of the following accurately describes the Fed's inflation target?

- A) It is implicit rather than explicit.
- B) It seeks to maintain an average inflation rate of 2% per year.
- C) It seeks to keep inflation at 2% all the time.
- D) Its goal is to achieve zero inflation.

Answer: <https://biology-forums.com/index.php?topic=1819973>

Question 858

If the annual interest rate is 8%, what would you expect to pay for a bond paying a lump sum of \$10,000 in ten years?

- A) \$4,632
- B) \$9,259
- C) \$10,000
- D) \$21,589

Answer: <https://biology-forums.com/index.php?topic=1818382>

Question 859

A one-year discount bond with a face value of \$1,000 has an interest rate of 4%. What is its price?

- A) \$960
- B) \$961.54
- C) \$996
- D) \$1,040

Answer: <https://biology-forums.com/index.php?topic=1818522>

Question 860

Members of the Board of Governors are

- A) elected by the district bank presidents.
- B) appointed by the President of the United States, subject to confirmation by the Senate.
- C) appointed by the National Monetary Commission.
- D) appointed by the Securities and Exchange Commission, subject to congressional veto.

Answer: <https://biology-forums.com/index.php?topic=1819656>

Question 861

Which of the following describes the behavior of M1 in recent decades?

- A) It soared during the recessions of 1990-91, 2001, and 2007-2009.
- B) It tended to grow more rapidly than M2.
- C) It was more stable than M2.
- D) It has not declined since the 1970s.

Answer: <https://biology-forums.com/index.php?topic=1818345>

Question 862

Spot transactions

- A) involve immediate settlement.
- B) may only take place in face-to-face trading.
- C) take place on-the-spot, rather than on an organized exchange.
- D) are relatively unimportant in financial markets.

Answer: <https://biology-forums.com/index.php?topic=1818872>

Question 863

If currency outstanding equals \$200 million, checkable deposits equal \$1 billion, reserves equal \$150 million, and the required reserve ratio is 0.10, the money multiplier equals

- A) 0.86.
- B) 3.14.
- C) 3.43.
- D) 4.

Answer: <https://biology-forums.com/index.php?topic=1819815>

Question 864

Which of the following is NOT an example of transactions costs?

- A) high interest rates
- B) lawyers' fees
- C) brokerage commissions
- D) minimum investment requirements

Answer: <https://biology-forums.com/index.php?topic=1819141>

Question 865

Which of the following accurately describes possible positions taken by hedgers?

- A) may take a short position in the futures market to offset a long position in the spot market
- B) may take a short position in the spot market to offset a long position in the futures market
- C) may take a long position in the spot market to offset a short position in the futures market
- D) may take a long position in the futures market to offset a long position in the spot market

Answer: <https://biology-forums.com/index.php?topic=1818938>

Question 866

Alternating periods of economic expansion and recession are known as the

- A) Fisher effect.
- B) business cycle.

- C) market risk.
- D) systematics.

Answer: <https://biology-forums.com/index.php?topic=1818572>

Question 867

Which criterion for suitability as a medium of exchange do Federal Reserve Notes meet?

- A) They are of standardized quality.
- B) They are durable.
- C) They are acceptable to most traders.
- D) Federal Reserve Notes meet all of the criteria for suitability as a medium of exchange.

Answer: <https://biology-forums.com/index.php?topic=1818291>

Question 868

How can diversification reduce idiosyncratic risk but not systematic risk?

Answer: <https://biology-forums.com/index.php?topic=1818516>

Question 869

The Banking Acts of 1933 and 1935

- A) established the Federal Reserve System.
- B) increased central control of the Federal Reserve System.
- C) eliminated the authority of the Board of Governors to set reserve requirements.
- D) made the Secretary of the Treasury a member of the Board of Governors.

Answer: <https://biology-forums.com/index.php?topic=1819670>

Question 870

A nation with an official settlements balance of -\$100 billion is likely to experience a

- A) balance of payments surplus and accumulate \$100 billion in international reserves.
- B) balance of payments deficit and accumulate \$100 billion in international reserves.
- C) balance of payments surplus and a decline of \$100 billion in international reserves.
- D) balance of payments deficit and a decline of \$100 billion in international reserves.

Answer: <https://biology-forums.com/index.php?topic=1820057>

Question 871

The Fed's portfolio of securities consists principally of

- A) municipal bonds.
- B) corporate bonds.
- C) U.S. Treasury obligations.
- D) obligations of foreign governments.

Answer: <https://biology-forums.com/index.php?topic=1819750>

Question 872

Requirements for information disclosure for firms that desire to sell securities in financial markets

- A) are very common in industrialized countries, including the United States.
- B) are common in other industrialized countries, but have not yet been adopted in the United States.
- C) have been adopted in the United States, but have not yet been adopted in other industrialized countries.
- D) have yet to be adopted in the United States or other industrialized countries.

Answer: <https://biology-forums.com/index.php?topic=1819180>

Question 873

During the early 1930s, the Fed was reluctant to rescue nonsolvent banks out of fear of encouraging

- A) moral hazard.
- B) adverse selection.
- C) bank run.
- D) sovereign debt crisis.

Answer: <https://biology-forums.com/index.php?topic=1819573>

Question 874

The FOMC states its overall objectives for interest rates in

- A) the Governors' Order.

- B) a policy directive.
- C) the Federal Reserve Bulletin.
- D) the Chairman's Order.

Answer: <https://biology-forums.com/index.php?topic=1819904>

Question 875

In the United States from 1981 to 1983, the money supply _____ and the inflation rate _____.

- A) increased; increased
- B) increased; decreased
- C) decreased; increased
- D) decreased; decreased

Answer: <https://biology-forums.com/index.php?topic=1819964>

Question 876

In late 2008, the average risk premium rose because

- A) investors feared a revival of inflation.
- B) large tax increases in the United States reduced corporate profits and led to fears of increased defaults.
- C) of the financial crisis.
- D) of fraud in the market for municipal bonds.

Answer: <https://biology-forums.com/index.php?topic=1818648>

Question 877

Expectations of asset values by participants in financial markets

- A) are not possible to model, given the current state of economic knowledge.
- B) determine market prices, but are not related to changes in market prices.
- C) generally do not change.
- D) determine current market prices and changes in market prices.

Answer: <https://biology-forums.com/index.php?topic=1818783>

Question 878

If you think that there is a 75% chance of a stock increasing by 8% and a 25% change of it falling by 20%, what is the expected return on the stock? Report using percentages with two decimal places.

Answer: <https://biology-forums.com/index.php?topic=1818511>

Question 879

Which of the following is NOT an accurate description of the recession that accompanied the financial crisis of 2007-2009?

- A) GDP declined by more than twice the rate of the average recession.
- B) Inflation rose at nearly twice the rate as the average recession.
- C) It lasted just under twice as long as the typical recession.
- D) Peak unemployment was about one-third higher than usual.

Answer: <https://biology-forums.com/index.php?topic=1819526>

Question 880

Why do restrictions on capital inflows receive more support from some economists than restrictions of capital outflows?

Answer: <https://biology-forums.com/index.php?topic=1820036>

Question 881

Bond ratings

- A) are published annually by the federal government and are based largely on information contained in corporate tax returns.
- B) are published annually by the federal government and are based on publicly available information.
- C) are published monthly by the federal government and are based on publicly available information.
- D) are published by private bond-rating agencies.

Answer: <https://biology-forums.com/index.php?topic=1818639>

Question 882

Hedgers are primarily interested in

- A) betting on anticipated changes in prices.
- B) reducing their exposure to the risk of price fluctuations.
- C) increasing market liquidity.

D) reducing the spread between bid and ask prices on bonds.

Answer: <https://biology-forums.com/index.php?topic=1818862>

Question 883

Which of the following is a behavior inconsistent with the efficient markets hypothesis?

- A) diversification of one's portfolio
- B) avoiding active trading of stocks
- C) holding onto a losing stock while being more likely to sell a stock that has increased in value
- D) the purchase of a stock index fund

Answer: <https://biology-forums.com/index.php?topic=1818853>

Question 884

Which of the following was NOT advocated by former Texas Congressman Ron Paul?

- A) abolishing the Fed
- B) making the Fed Board of Governors lifetime appointments
- C) returning to the gold standard
- D) 100% reserve banking

Answer: <https://biology-forums.com/index.php?topic=1819715>

Question 885

Why did some economists and policymakers criticize the Fed and Treasury for arranging the sale of Bear Stearns to JP Morgan Chase in 2008?

Answer: <https://biology-forums.com/index.php?topic=1818248>

Question 886

Short-term loans between banks are called

- A) federal funds.
- B) repurchase agreements.
- C) repos.
- D) discount loans.

Answer: <https://biology-forums.com/index.php?topic=1819263>

Question 887

Which of the following will take place in the foreign exchange market if there is an increase in the demand for products made in the United States?

- A) The supply of dollars will decrease.
- B) The demand for dollars will decrease.
- C) The demand for dollars will increase.
- D) The dollar will decrease in value.

Answer: <https://biology-forums.com/index.php?topic=1819095>

Question 888

The speculative attack on the German mark in 1971 resulted in

- A) a large increase in the German monetary base.
- B) a decline in the value of the mark relative to the dollar.
- C) a decision to end the floating of the mark against the dollar.
- D) a large decrease in the German monetary base.

Answer: <https://biology-forums.com/index.php?topic=1820073>

Question 889

A \$10 million open market sale will decrease the monetary base by

- A) \$10 million.
- B) \$10 million times the money multiplier.
- C) \$10 million divided by the money multiplier.
- D) an amount between \$0 and \$10 million, depending on the fraction of the purchase the public wishes to hold as currency.

Answer: <https://biology-forums.com/index.php?topic=1819773>

Question 890

Inflation is an economic problem because it

- A) leads inevitably to unemployment.
- B) makes prices less useful as signals for resource allocation.

C) leads to recession.

D) results in rapid increases in the money supply.

Answer: <https://biology-forums.com/index.php?topic=1819839>

Question 891

Why do individuals hold money when it does NOT provide the services that, say, a house does?

A) Money is the most liquid asset.

B) Money is the only form in which wealth may be held.

C) Money increases in value faster than other assets.

D) Money is useful in avoiding taxes on certain transactions.

Answer: <https://biology-forums.com/index.php?topic=1818285>

Question 892

How does the Open Market Trading Desk conduct its operations?

A) directly with private securities dealers on the floor of the New York Stock Exchange

B) directly with private securities dealers on the floor of the Federal Reserve Bank of New York

C) over-the-counter electronically with private securities dealers

D) by sending its buy and sell orders to the U.S. Treasury for execution

Answer: <https://biology-forums.com/index.php?topic=1819907>

Question 893

If you purchase a Treasury bond, the Treasury bond is

A) an asset to you as well as an asset to the U.S. government.

B) an asset to you, but a liability to the U.S. government.

C) a liability to you, but an asset to the U.S. government.

D) a liability to you as well as a liability to the U.S. government.

Answer: <https://biology-forums.com/index.php?topic=1818195>

Question 894

Bank capital is equal to

A) the value of the capital originally invested in the bank by its owners.

B) the value of everything the bank owns.

C) the difference between the value of the bank's assets and the value of its liabilities.

D) the value of the buildings and other physical assets the bank owns.

Answer: <https://biology-forums.com/index.php?topic=1819256>

Question 895

The regional Federal Reserve Banks are owned by

A) the federal government.

B) the Federal Reserve System.

C) the state governments covered by each bank's region.

D) private banks which are part of the Federal Reserve System in each region.

Answer: <https://biology-forums.com/index.php?topic=1819621>

Question 896

The formula for the yield to maturity, i , on a discount bond is

A) $i = (\text{Face value} - \text{Price})/\text{Price}$.

B) $i = (\text{Price} - \text{Face value})/\text{Price}$.

C) $i = (\text{Face value} - \text{Price})/\text{Face value}$.

D) $i = (\text{Price} - \text{Face value})/\text{Face value}$.

Answer: <https://biology-forums.com/index.php?topic=1818519>

Question 897

Which of the following is an asset of the Fed?

A) reserves of banks

B) currency in circulation

C) discount loans to banks

D) checkable deposits in commercial banks

Answer: <https://biology-forums.com/index.php?topic=1819738>

Question 898

The due diligence process is

- A) the process by which a firm chooses an investment bank.
- B) when an investment bank researches a firm's value.
- C) how an investment bank underwrites large issues.
- D) the review of a prospectus by the SEC.

Answer: <https://biology-forums.com/index.php?topic=1819411>

Question 899

The yield on a thirty-year Treasury bond is 8% at the same time as the yield on two-year Treasury note is 5%. This occurrence

- A) indicates that the yield curve is downward sloping.
- B) is well explained by the segmented markets theory.
- C) is largely explained by the favorable tax treatment of Treasury notes.
- D) indicates that the bond market is anticipating that inflation will fall.

Answer: <https://biology-forums.com/index.php?topic=1818692>

Question 900

In effect, banks are able to charge

- A) depositors for banks' superior information about borrowers.
- B) borrowers for banks' superior information about depositors.
- C) the government for banks' superior information about borrowers and depositors.
- D) interest rates that are in fact above those legally allowed.

Answer: <https://biology-forums.com/index.php?topic=1819205>

Question 901

Municipal bonds are issued

- A) only by local governments.
- B) only by state governments.
- C) by both state and local governments.
- D) by the federal government, and by state and local governments.

Answer: <https://biology-forums.com/index.php?topic=1818658>

Question 902

In comparing money to shares of Apple stock, we can say that

- A) money is a store of value, but shares of Apple stock are not.
- B) shares of Apple stock are a store of value, but money is not.
- C) both money and shares of Apple stock are stores of value.
- D) neither money nor shares of Apple stock are stores of value.

Answer: <https://biology-forums.com/index.php?topic=1818284>

Question 903

Which of the following is the correct expression for short-run aggregate supply in the new classical view?

- A) $Y_P = Y + a(P - P_e)$
- B) $Y = Y_P + a(P - P_e)$
- C) $Y_P = Y + a(P + P_e)$
- D) $Y = Y_P + a(P + P_e)$

Answer: <https://biology-forums.com/index.php?topic=1820140>

Question 904

Due in part to record low interest rates on U.S. Treasury Bonds

- A) investors searching for higher yields bought corporate bonds.
- B) interest rates on corporate bonds rose.
- C) corporations faced higher borrowing costs.
- D) many corporations were at greater risk of defaulting.

Answer: <https://biology-forums.com/index.php?topic=1819250>

Question 905

Explain how each of the following might make use of the futures market:

(a) A lender who is worried that its cost of funds might rise during the term of a loan it has made.

(b) A speculator who believes strongly that interest rates will rise.

Answer: <https://biology-forums.com/index.php?topic=1818945>

Question 906

How would proponents of the efficient markets hypothesis use the Gordon growth model to explain the movement of stock prices during the financial crisis of 2007-2009?

Answer: <https://biology-forums.com/index.php?topic=1818842>

Question 907

Which type of borrowers were least likely to default in their mortgage at the beginning of the financial crisis?

A) those with fixed-rate mortgages who made large down payments

B) those with alt-A loans

C) subprime borrowers

D) those with adjustable-rate mortgages

Answer: <https://biology-forums.com/index.php?topic=1818240>

Question 908

The marginal propensity to consume can best be described as

A) consumption / income.

B) the impact of a change in income on GDP.

C) the change in income divided by the change in consumption.

D) the change in consumption divided by the change in income.

Answer: <https://biology-forums.com/index.php?topic=1820234>

Question 909

The counterparty of someone buying a futures contract on the Chicago Board of Trade is

A) the Chicago Board of Trade.

B) a hedger.

C) a speculator.

D) a trader.

Answer: <https://biology-forums.com/index.php?topic=1818886>

Question 910

Which of the following statements is correct?

A) The supply curve for loanable funds slopes up, whereas the supply curve for bonds slopes down.

B) The demand curve for loanable funds slopes up, whereas the demand curve for bonds slopes down.

C) The demand curve for loanable funds and the demand curve for bonds both slope up.

D) The supply curve for bonds and the supply curve for loanable funds both slope up.

Answer: <https://biology-forums.com/index.php?topic=1818605>

Question 911

Which of the following is NOT considered a payment in the balance of payments?

A) capital outflows

B) U.S. foreign aid to other countries

C) imports of goods

D) exports of services

Answer: <https://biology-forums.com/index.php?topic=1820044>

Question 912

Investment banks are vulnerable because

A) the maturity of their liabilities is less than the maturity of their assets.

B) the maturity of their assets is less than the maturity of their liabilities.

C) they tend to be underleveraged.

D) they tend to primarily hold short-term assets.

Answer: <https://biology-forums.com/index.php?topic=1819429>

Question 913

What does it mean for a money market mutual fund to "break the buck"?

- A) The value of its share declines below \$1.
- B) It incurs losses on its investments.
- C) It increases its fees to more than 1% of net asset value.
- D) It is unable to meet the demand for withdrawals by investors.

Answer: <https://biology-forums.com/index.php?topic=1819584>

Question 914

The process by which banks screen potential applicants by eliminating bad risks and to obtain a pool of creditworthy borrowers is called

- A) gap analysis.
- B) duration analysis.
- C) credit-risk analysis.
- D) liquidity analysis.

Answer: <https://biology-forums.com/index.php?topic=1819369>

Question 915

By reducing transactions and information costs, financial intermediaries can

- A) offer savers higher interest rates.
- B) offer borrowers lower interest rates.
- C) earn a profit.
- D) all of the above.

Answer: <https://biology-forums.com/index.php?topic=1819249>

Question 916

Which of the following statements about potential GDP is FALSE?

- A) The Fed's goal is to have equilibrium GDP close to potential GDP.
- B) When GDP is at potential, cyclical unemployment is zero.
- C) It occurs when firms are producing at their maximum level of output.
- D) It occurs when firms are producing with a workforce of normal size working normal hours.

Answer: <https://biology-forums.com/index.php?topic=1820218>

Question 917

All of the following are roles of an exchange EXCEPT

- A) instituting margin requirements on futures contracts.
- B) marking to market at the end of each day.
- C) eliminating the need for buyers and sellers of futures contracts to be concerned about the creditworthiness of each other.
- D) reducing the default risk involving forward contracts.

Answer: <https://biology-forums.com/index.php?topic=1818932>

Question 918

In recent decades

- A) trading in financial futures declined in importance relative to trading in agricultural and mineral commodities futures.
- B) trading in financial futures increased in importance relative to trading in agricultural and mineral commodities futures.
- C) trading in agricultural and commodities futures was discontinued.
- D) trading in financial futures was discontinued.

Answer: <https://biology-forums.com/index.php?topic=1818893>

Question 919

If the current price of a bond is equal to its face value

- A) there is no capital gain or loss from holding the bond until maturity.
- B) the yield to maturity must be greater than the current yield.
- C) the current yield must be greater than the coupon rate.
- D) the coupon rate must be greater than the yield to maturity.

Answer: <https://biology-forums.com/index.php?topic=1818460>

Question 920

Federal funds are

- A) the tax revenues of the federal government.
- B) loans by the Federal Reserve to banks.
- C) loans by banks to the Federal Reserve.
- D) short-term loans between banks.

Answer: <https://biology-forums.com/index.php?topic=1819276>

Question 921

A small open economy

- A) is unable to affect the world real interest rate by its borrowing and lending decisions.
- B) will always be a net borrower from abroad.
- C) will always be a net lender abroad.
- D) is almost never able to borrow abroad.

Answer: <https://biology-forums.com/index.php?topic=1818613>

Question 922

The futures price

- A) reflects traders' expectations of the spot price on the day of delivery.
- B) is always above the spot price on the day of delivery.
- C) is always below the spot price on the day of delivery.
- D) is always equal to the spot price at every point in time.

Answer: <https://biology-forums.com/index.php?topic=1818905>

Question 923

Which types of unemployment still occur even when the economy is considered to be operating at full employment?

Answer: <https://biology-forums.com/index.php?topic=1819864>

Question 924

What was the dilemma that faced the European Central Bank in response to the sovereign debt crisis of 2010?

Answer: <https://biology-forums.com/index.php?topic=1819733>

Question 925

According to Taylor's rule, all of the following variables help explain the behavior of the federal funds rate EXCEPT

- A) output gap.
- B) current inflation.
- C) inflation gap.
- D) yield curve.

Answer: <https://biology-forums.com/index.php?topic=1819975>

Question 926

According to the quantity theory of money, if the long-run economic growth rate is 2.5%, by how much should the Fed increase the money supply if it wants inflation to be 2%?

- A) 0.5%
- B) 1.25%
- C) 4.5%
- D) 5%

Answer: <https://biology-forums.com/index.php?topic=1818356>

Question 927

The bursting of the housing bubble was a key factor in causing the severity of the

- A) Great Depression.
- B) inflation of the late 1970s.
- C) recession of 2001.
- D) financial crisis of 2007-2009.

Answer: <https://biology-forums.com/index.php?topic=1819860>

Question 928

Why might Congress benefit from the Fed being self-financed?

- A) Self-financing increases Congressional control over the Fed.
- B) Self-financing reduces the Fed's exposure to external pressures.
- C) Self-financing gives the Fed an incentive to expand the money supply, which ultimately results in Congress having additional funds to spend.
- D) Congress does not benefit from the Fed being self-financed; Congress is obliged by the Constitution to allow the Fed to be self-financed.

Answer: <https://biology-forums.com/index.php?topic=1819705>

Question 929

The demand curve for loanable funds slopes down because

- A) at lower bond prices more loanable funds will be supplied.
- B) lower interest rates reduce the inflation rate.
- C) an increase in the interest rate makes borrowers more willing and able to demand more funds.
- D) a decrease in the interest rate makes borrowers more willing and able to demand more funds.

Answer: <https://biology-forums.com/index.php?topic=1818606>

Question 930

A Big Mac costs 400 yen in Japan and 50 pesos in Mexico. If the actual exchange rate is 1 yen = 8 pesos, we can conclude that in this case

- A) the law of one price holds and the numbers are consistent with the theory of purchasing power parity.
- B) the law of one price does not hold and the numbers are not consistent with the theory of purchasing power parity.
- C) the law of one price holds but the numbers are not consistent with the theory of purchasing power parity.
- D) the law of one price does not hold but the numbers are consistent with the theory of purchasing power parity.

Answer: <https://biology-forums.com/index.php?topic=1819061>

Question 931

The very low interest rates following the financial crisis of 2007-2009 resulted in

- A) many people moving their funds from CDs and money market accounts to checking accounts in order to have more liquidity without sacrificing much interest.
- B) funds being transferred from checking accounts to time deposits.
- C) further declines in checking accounts that began in the early 1970s.
- D) people switching their funds from checking deposits to CDs in the pursuit of higher interest rates.

Answer: <https://biology-forums.com/index.php?topic=1819304>

Question 932

Financial securities that represent partial ownership of a corporation are known as

- A) bonds.
- B) stocks.
- C) coupons.
- D) dividends.

Answer: <https://biology-forums.com/index.php?topic=1818191>

Question 933

Who serve as voting members of the Federal Open Market Committee (FOMC)?

Answer: <https://biology-forums.com/index.php?topic=1819689>

Question 934

Money is a medium of exchange in that

- A) money is generally accepted for buying and selling goods and services.
- B) currency may be exchanged for gold at any national bank.
- C) other assets may be better or worse in facilitating exchange than money.
- D) it must maintain most of its value over time.

Answer: <https://biology-forums.com/index.php?topic=1818276>

Question 935

In the bond market, the seller is considered to be

- A) the lender.
- B) the borrower.
- C) the lender or the borrower depending upon the use to which the funds are put.
- D) the lender or the borrower depending upon whether interest rates are rising or falling.

Answer: <https://biology-forums.com/index.php?topic=1818535>

Question 936

The result of the supply shocks of 1973-1974 was to

- A) reduce aggregate output and raise the price level.
- B) reduce the price level and raise aggregate output.
- C) reduce both aggregate output and the price level.

D) raise both aggregate output and the price level.

Answer: <https://biology-forums.com/index.php?topic=1820187>

Question 937

Which of the following would shift the aggregate demand curve to the left?

- A) an increase in the money supply
- B) a cut in federal income taxes
- C) an expected decrease in future income
- D) an increase in the price level

Answer: <https://biology-forums.com/index.php?topic=1820117>

Question 938

Today, the short-run demand and supply of foreign currency originating from financial transactions is

- A) much more important than is the demand and supply of foreign currency originating from trade in goods.
- B) much less important than is the demand and supply of foreign currency originating from trade in goods.
- C) of equal importance as is the demand and supply of foreign currency originating from trade in goods.
- D) the only important factor in determining short-run exchange rates.

Answer: <https://biology-forums.com/index.php?topic=1819072>

Question 939

The connection between a developed country's financial system and the performance of the country's economy

- A) was significant in the late 1700s and early 1800s, but has mostly disappeared since that time.
- B) was strong up until the Great Depression, when the connection was permanently lost.
- C) has only become significant since the end of World War II.
- D) was recognized in the early days of the country and remains strong today.

Answer: <https://biology-forums.com/index.php?topic=1819134>

Question 940

Banks use "credit-risk analysis" to

- A) determine the appropriate interest rate to charge borrowers.
- B) determine whether to invest in the stock of a corporation.
- C) determine the appropriate interest rate to pay depositors.
- D) determine the likelihood of an audit by bank regulators.

Answer: <https://biology-forums.com/index.php?topic=1819340>

Question 941

Why may some investors prefer forward contracts to futures?

Answer: <https://biology-forums.com/index.php?topic=1818948>

Question 942

A one-year bond currently pays 5% interest. It's expected that it will pay 4.5% next year and 4% the following year. The two-year term premium is 0.2% while the three-year term premium is 0.35%. What is the interest rate on a three-year bond according to the liquidity premium theory?

- A) 4.5%
- B) 4.68%
- C) 4.85%
- D) 5.05%

Answer: <https://biology-forums.com/index.php?topic=1818698>

Question 943

How did the use of the euro limit the use of monetary policy by European nations severely affected by the Financial Crisis of 2007-2009?

Answer: <https://biology-forums.com/index.php?topic=1820102>

Question 944

An important service provided by underwriters is

- A) lowering of information costs.
- B) dealing with problems of moral hazard.
- C) insuring firms against loss from fire.
- D) insuring firms against loss from employee theft.

Answer: <https://biology-forums.com/index.php?topic=1819413>

Question 945

Suppose that initially U.S. households are saving only a small fraction of their incomes because they are relying on rapid increases in stock prices to increase their wealth. If stock prices decline and households decide to increase their saving rate, what will be impact on output in the new Keynesian view? Be sure to distinguish the short run from the long run.

Answer: <https://biology-forums.com/index.php?topic=1820191>

Question 946

Geographic restrictions on banks

- A) reduce their ability to take advantage of economies of scale.
- B) raise the costs of their providing risk-sharing, liquidity, and information services.
- C) reduce their exposure to credit risk.
- D) reduce the amount of local lending they undertake.

Answer: <https://biology-forums.com/index.php?topic=1819397>

Question 947

How is the lemons problem in the used car market an example of asymmetric information?

Answer: <https://biology-forums.com/index.php?topic=1819224>

Question 948

A sustained decrease in the price level is known as

- A) inflation.
- B) disinflation.
- C) reflation.
- D) deflation.

Answer: <https://biology-forums.com/index.php?topic=1818473>

Question 949

If the Fed increases the money supply and as a result, households and firms buy more short-term financial assets, the prices of those short-term financial assets will _____ and the interest rates on those assets will _____.

- A) rise; rise
- B) rise; fall
- C) fall; rise
- D) fall; fall

Answer: <https://biology-forums.com/index.php?topic=1818592>

Question 950

Since 1980, discount loans have been available

- A) only to member banks of the Federal Reserve System.
- B) only to national banks.
- C) only to state banks.
- D) to all depository institutions.

Answer: <https://biology-forums.com/index.php?topic=1819922>

Question 951

Which of the following is NOT considered to be a goal of monetary policy?

- A) fair wages
- B) high employment
- C) economic growth
- D) price stability

Answer: <https://biology-forums.com/index.php?topic=1819837>

Question 952

If C represents currency, D represents checkable deposits, N represents savings accounts, and MM represents money market mutual funds, which of the following equations is correct?

- A) $M2 = N + MM$
- B) $M2 = D + N + MM$
- C) $M2 = C + D + N + MM$
- D) $M2 = C + D$

Answer: <https://biology-forums.com/index.php?topic=1819829>

Question 953

Nominal interest rates are higher than real interest rates as long as

- A) expected inflation is positive.
- B) the government taxes interest income.
- C) inflation is expected to decline in the future.
- D) long-term interest rates are higher than short-term interest rates.

Answer: <https://biology-forums.com/index.php?topic=1818474>

Question 954

The level of potential GDP

- A) increases as the real rate of interest decreases.
- B) increases as the real rate of interest increases.
- C) is unaffected by the real rate of interest.
- D) is represented on the IS-MP model by a horizontal line at the world real rate of interest.

Answer: <https://biology-forums.com/index.php?topic=1820223>

Question 955

For the most part, countries with _____ of financial development have _____ of real GDP per capita.

- A) high levels; low levels
- B) high levels; high levels
- C) low levels; high levels
- D) There is no discernable relationship between the level of financial development in a country and that country's level of real GDP per capita.

Answer: <https://biology-forums.com/index.php?topic=1819136>

Question 956

A coupon bond has an annual coupon of \$75, a par value of \$1,000, and a market price of \$900. Its current yield equals

- A) 7.50%.
- B) 8.33%.
- C) its yield to maturity.
- D) Not enough information has been provided to calculate the current yield for this bond.

Answer: <https://biology-forums.com/index.php?topic=1818410>

Question 957

Suppose a bank repays a \$10 million discount loan that it had previously borrowed from the Fed. Illustrate how this affects the balance sheets of the Fed and the banking system.

Answer: <https://biology-forums.com/index.php?topic=1819794>

Question 958

Which of the following is NOT a financial intermediary?

- A) mutual fund
- B) bank
- C) stock exchange
- D) insurance company

Answer: <https://biology-forums.com/index.php?topic=1818198>

Question 959

Which of the following factors would tend to increase the size of the premium on an options contract?

- A) The option is near its expiration date.
- B) The current default-risk-free interest rate is high.
- C) The price volatility of the underlying asset is low.
- D) The option is far away from its expiration date.

Answer: <https://biology-forums.com/index.php?topic=1818969>

Question 960

Why are forward contracts typically illiquid?

Answer: <https://biology-forums.com/index.php?topic=1818883>

Question 961

Which of the following is NOT covered by federal deposit insurance?

- A) savings account
- B) money market mutual fund
- C) checking account
- D) money market deposit account

Answer: <https://biology-forums.com/index.php?topic=1819301>

Question 962

All of the following are consequences of adverse selection on good firms EXCEPT

- A) the cost of external financing increases.
- B) firms need to rely more on internal funds.
- C) firms need to rely more on accumulated profits.
- D) firms will only be able to attain financing from the government.

Answer: <https://biology-forums.com/index.php?topic=1819176>

Question 963

In comparing futures contracts with options contracts, we can say that

- A) in a futures contract, the buyer and seller have symmetric rights, whereas in an options contract, the buyer and seller have asymmetric rights.
- B) in a futures contract, the buyer and seller have asymmetric rights, whereas in an options contract, the buyer and seller have symmetric rights.
- C) in both futures and options contracts, the buyer and seller have symmetric rights.
- D) in both futures and options contracts, the buyer and seller have asymmetric rights.

Answer: <https://biology-forums.com/index.php?topic=1818955>

Question 964

A decrease in expected inflation

- A) usually leads to falling nominal interest rates.
- B) results in increased nominal capital gains on physical assets.
- C) will shift the bond demand curve to the left.
- D) will shift the supply curve for loanable funds to the left.

Answer: <https://biology-forums.com/index.php?topic=1818567>

Question 965

Why might a nation seek to maintain a pegged exchange rate?

- A) It makes business planning easier for firms involved in the global economy.
- B) It removes the need to intervene in the foreign exchange market.
- C) It ensures that the exchange rate will remain at its equilibrium.
- D) It makes their currency more attractive on the foreign exchange market.

Answer: <https://biology-forums.com/index.php?topic=1819519>

Question 966

The fee charged by a typical hedge fund are sometimes called

- A) 12b-1 fees.
- B) hedging premiums.
- C) loads.
- D) carried interest.

Answer: <https://biology-forums.com/index.php?topic=1819465>

Question 967

The demand curve for bonds would be reduced by

- A) a decrease in expected returns on other assets.
- B) an increase in the information costs of bonds relative to other assets.
- C) an increase in wealth.
- D) an increase in the liquidity of bonds relative to other assets.

Answer: <https://biology-forums.com/index.php?topic=1818538>

Question 968

Assuming a required reserve ratio of 8%, interest rate on reserves of 0.5%, and interest rate on loans of 4%, what is the effective cost of the reserve

requirement on a \$1,000 deposit?

- A) 0.05%
- B) 0.28%
- C) 0.32%
- D) 4%

Answer: <https://biology-forums.com/index.php?topic=1819677>

Question 969

How does an increase in the price level lead to a higher interest rate?

Answer: <https://biology-forums.com/index.php?topic=1820128>

Question 970

The intrinsic value of an option

- A) is equal to the option premium.
- B) is the amount the option actually is worth if it is immediately exercised.
- C) is the amount the option is expected to be worth on its expiration date.
- D) is impossible to determine in the absence of information on the future prices of the underlying asset.

Answer: <https://biology-forums.com/index.php?topic=1818963>

Question 971

Which of the following is NOT true of the yield curve for U.S. Treasury securities?

- A) Typically, it slopes upward.
- B) It depicts the relationship among yields on securities of different maturities.
- C) Typically, it shifts up or down rather than twists.
- D) Typically, it slopes downward.

Answer: <https://biology-forums.com/index.php?topic=1818688>

Question 972

If you deposit \$500 in a savings account at an annual interest rate of 5%, how much will you have in the account at the end of five years?

- A) \$392
- B) \$550
- C) \$625
- D) \$638

Answer: <https://biology-forums.com/index.php?topic=1818377>

Question 973

If market participants rely only on past stock prices to forecast future stock prices

- A) they will be better able to forecast future price increases than future price decreases.
- B) they will be better able to forecast future price decreases than future price increases.
- C) they have adaptive expectations.
- D) they have rational expectations.

Answer: <https://biology-forums.com/index.php?topic=1818784>

Question 974

What information is typically included in a prospectus?

Answer: <https://biology-forums.com/index.php?topic=1819440>

Question 975

A decrease in real GDP will result in a(n) _____ in the demand for money and cause the nominal interest rate to _____.

- A) decrease; decrease
- B) decrease; increase
- C) increase; decrease
- D) increase; increase

Answer: <https://biology-forums.com/index.php?topic=1818594>

Question 976

You own a 2007 Ford Explorer. Although it has high mileage, you have maintained it very well. You want to sell it, but after checking the prices other owners of 2007 Ford Explorers are able to get for their cars in the used car market, you decide the prices are too low and you decide not to sell. This is an example of

- A) the "lemons problem."
- B) moral hazard.
- C) economies of scale.
- D) low information costs.

Answer: <https://biology-forums.com/index.php?topic=1819167>

Question 977

The bond supply curve

- A) shows the quantity of bonds lenders are willing to supply as bond prices change.
- B) shows the quantity of bonds lenders are willing to supply as interest rates change.
- C) shows the quantity of bonds borrowers are willing to supply as bond prices change.
- D) is represented by a downward-sloping line when the price of bonds is on the vertical axis and the quantity of bonds supplied is on the horizontal axis.

Answer: <https://biology-forums.com/index.php?topic=1818531>

Question 978

Under which chair did the Fed implement the policy of inflation targeting?

- A) Volcker
- B) Bernanke
- C) Greenspan
- D) Geithner

Answer: <https://biology-forums.com/index.php?topic=1819977>

Question 979

Under the efficient markets hypothesis, for news about a company's prospects to have a large impact on the price of the company's stock, the news must

- A) have an impact on the company's profitability in the short term.
- B) have an impact on the company's profitability in the long term.
- C) significantly increase the likelihood that the company will go bankrupt.
- D) significantly reduce the liquidity of the company's stock.

Answer: <https://biology-forums.com/index.php?topic=1818805>

Question 980

As of August 2016, the value of currency in circulation was about

- A) \$1.1 billion.
- B) \$24 billion.
- C) \$1.4 trillion.
- D) \$44 trillion.

Answer: <https://biology-forums.com/index.php?topic=1819744>

Question 981

In 2010, fears were growing that the dollar would experience a significant decline in value. What are the likely implications for the euro-dollar exchange rate?

Answer: <https://biology-forums.com/index.php?topic=1819118>

Question 982

The default risk premium is measured

- A) by an index published monthly by the Securities and Exchange Commission.
- B) by an index published monthly by The Wall Street Journal.
- C) as the difference between the yield on a non-Treasury security and the yield on a U.S. Treasury security of the same maturity.
- D) as the difference between the nominal yield on the security and the real after-tax yield on the security.

Answer: <https://biology-forums.com/index.php?topic=1818635>

Question 983

Suppose you buy a stock that sells for \$20. It's expected annual dividend is \$2 and you expect its price to be \$25 in one year. What is your expected rate of return on the stock?

Answer: <https://biology-forums.com/index.php?topic=1818777>

Question 984

According to the equation of exchange, the money supply times the velocity of money equals the

- A) price level.
- B) growth rate of the money supply.
- C) real GDP.
- D) nominal GDP.

Answer: <https://biology-forums.com/index.php?topic=1818353>

Question 985

The automatic mechanism can best be described as

- A) the process of the economy adjusting back to potential GDP without any action taken by the government.
- B) the result of monetary policy implemented by the Fed restoring full employment.
- C) how fiscal policy is used to return the economy to its potential.
- D) using rule-based policies to stabilize the economy.

Answer: <https://biology-forums.com/index.php?topic=1820188>

Question 986

The trade balance is

- A) by definition, identical to the current account balance.
- B) a major portion, but not the only component, of the current account balance.
- C) almost invariably larger than the financial account balance.
- D) the largest component of the financial account.

Answer: <https://biology-forums.com/index.php?topic=1820042>

Question 987

Which of the following statements about checkable deposits is correct?

- A) Checkable deposits are a larger fraction of banks' funds today than in 1973.
- B) Checkable deposits are a smaller fraction of banks' funds today than in 1973.
- C) All checkable deposits pay interest.
- D) No checkable deposits pay interest.

Answer: <https://biology-forums.com/index.php?topic=1819266>

Question 988

The difference between the yield on 3-month Treasury bills and 10-year Treasury notes is largest typically during

- A) recessions.
- B) expansions.
- C) periods of high inflation.
- D) when the yield curve is inverted.

Answer: <https://biology-forums.com/index.php?topic=1818717>

Question 989

The paper currency of the United States is issued by

- A) state governments and the Fed.
- B) state governments and the U.S. Treasury.
- C) the U.S. Congress.
- D) the Fed.

Answer: <https://biology-forums.com/index.php?topic=1819740>

Question 990

Briefly explain how a U.S. company that exports to Europe can hedge against exchange rate risk.

Answer: <https://biology-forums.com/index.php?topic=1819124>

Question 991

Money market deposit accounts are included in

- A) only M1.
- B) only M2.
- C) M1 and M2.
- D) neither M1 nor M2.

Answer: <https://biology-forums.com/index.php?topic=1818336>

Question 992

Suppose you are risk neutral and you are deciding between two investments. One has a guaranteed return of 2% while the second has a 60% chance of a 10% return and a 40% chance of a -5% return. Which investment would you choose? Why?

Answer: <https://biology-forums.com/index.php?topic=1818514>

Question 993

Banks face liquidity risk because

- A) they can have difficulty meeting their depositor's demands to withdraw money.
- B) they are unable to borrow from the Federal Reserve.
- C) households and businesses may seek to borrow a large amount of funds in a short period of time.
- D) governments tend to run high budget deficits.

Answer: <https://biology-forums.com/index.php?topic=1819512>

Question 994

In what sense do self-fulfilling expectations determine the acceptability of a medium of exchange?

- A) People like to do what the government expects them to do.
- B) People value something as money only if they believe others will accept it from them as payment.
- C) People expect that money will never lose its value.
- D) People expect that eventually every country will use the same medium of exchange.

Answer: <https://biology-forums.com/index.php?topic=1818293>

Question 995

If, while you are holding a coupon bond, the interest rates on other similar bonds fall, you can be sure that

- A) the coupon payments on your bond will fall.
- B) the market price of your bond will rise.
- C) the market price of your bond will fall.
- D) the par value of your bond will rise.

Answer: <https://biology-forums.com/index.php?topic=1818447>

Question 996

What should affect the fundamental value of a stock according to the efficient markets hypothesis?

Answer: <https://biology-forums.com/index.php?topic=1818829>

Question 997

When economists refer to the role of money as a store of value, they mean that

- A) money never loses its value, unlike other assets.
- B) money allows value to be stored easily.
- C) the value of money falls only when the quantity of money in circulation falls.
- D) the value of money falls only when the quantity of money in circulation rises.

Answer: <https://biology-forums.com/index.php?topic=1818279>

Question 998

Compare the rights and obligations of buyers and sellers of futures contracts with the rights of buyers and sellers of options contracts.

Answer: <https://biology-forums.com/index.php?topic=1818981>

Question 999

All of the following are steps involved in basic currency swaps EXCEPT

- A) counterparties exchange the net interest at the end of the swap.
- B) the parties exchange principals in two currencies.
- C) the parties exchange periodic interest payments over the life of the agreement.
- D) the parties exchange the principal amount at the end of the agreement.

Answer: <https://biology-forums.com/index.php?topic=1818993>

Question 1000

Default risk

- A) is the probability that a borrower will not pay in full the promised coupon or principal.
- B) exists only for the bonds of small corporations.
- C) is also known as market risk.

D) is zero for bonds issued by cities and states.

Answer: <https://biology-forums.com/index.php?topic=1818632>

Question 1001

Which of the following assets is the least liquid?

- A) money market mutual fund
- B) stock
- C) treasury bond
- D) house

Answer: <https://biology-forums.com/index.php?topic=1818211>

Question 1002

What are the information costs associated with forward contracts?

Answer: <https://biology-forums.com/index.php?topic=1818884>

Question 1003

Which of the following is the most important source of external financing for corporations?

- A) stock market
- B) bond market
- C) retained earnings
- D) mortgages

Answer: <https://biology-forums.com/index.php?topic=1819247>

Question 1004

What are the information costs faced by savers?

Answer: <https://biology-forums.com/index.php?topic=1819221>

Question 1005

Bank capital will decline following an increase in interest rates if the value of its

- A) fixed-rate assets is greater than the value of its fixed-rate liabilities.
- B) fixed-rate assets is less than the value of its fixed-rate liabilities.
- C) fixed-rate assets is greater than the value of its variable-rate assets.
- D) fixed-rate liabilities is greater than the value of its variable-rate liabilities.

Answer: <https://biology-forums.com/index.php?topic=1819361>

Question 1006

Who is considered to wield the most power in the Federal Reserve System?

- A) the Fed chair
- B) member banks
- C) the Treasury Secretary
- D) the president of the Federal Reserve Bank of New York

Answer: <https://biology-forums.com/index.php?topic=1819682>

Question 1007

The company that manufactures Screaming Chocolate Zonkers breakfast cereal finds that its sales collapse, it is forced into bankruptcy, and it defaults on its bonds, as a result of information on the filthy conditions in its factory, which had long been known to management, leaking out to the general public. This incident is best thought of as an example of

- A) symmetric information in the financial markets.
- B) asymmetric information in the financial markets.
- C) moral hazard in the financial markets.
- D) the generally poor state of sanitation in the food-processing industry in the United States.

Answer: <https://biology-forums.com/index.php?topic=1819158>

Question 1008

Customers who have long-term relationships with banks

- A) pose particular problems with respect to adverse selection.
- B) pose particular problems with respect to moral hazard.
- C) often obtain credit at a lower rate or with fewer restrictions.
- D) are more likely to default or violate restrictive covenants.

Answer: <https://biology-forums.com/index.php?topic=1819351>

Question 1009

What would happen to the value of the dollar if prices in the United States increased more rapidly relative to prices in other countries?

Answer: <https://biology-forums.com/index.php?topic=1819064>

Question 1010

The seller of a futures contract

- A) assumes the short position.
- B) assumes the long position.
- C) has the obligation to receive the underlying financial instrument at the specified future date.
- D) is expecting the price of the underlying financial instrument to rise.

Answer: <https://biology-forums.com/index.php?topic=1818897>

Question 1011

Which of the following is NOT true of the term premium?

- A) It is zero under the expectations theory.
- B) It is infinite under the segmented markets theory.
- C) It increases as a bond's maturity increases.
- D) It is zero for thirty-year bonds.

Answer: <https://biology-forums.com/index.php?topic=1818710>

Question 1012

Which of the following bonds will have the highest yield-to-maturity if all three bonds appear identical to investors in terms of risk, liquidity, information costs, and tax treatment?

- A) one with a coupon of \$50
- B) one with a coupon of \$100
- C) one with a coupon of \$200
- D) none of the above

Answer: <https://biology-forums.com/index.php?topic=1818824>

Question 1013

Deliberate actions by a central bank to influence the exchange rate are known as

- A) current account actions.
- B) foreign-exchange market interventions.
- C) dollar-value operations.
- D) foreign-commerce maneuvers.

Answer: <https://biology-forums.com/index.php?topic=1819994>

Question 1014

A sale of foreign assets by a central bank has the same effect on the monetary base as

- A) a decrease in the discount rate.
- B) a decrease in the required reserve ratio.
- C) an open market sale of government bonds.
- D) an open market purchase of government bonds.

Answer: <https://biology-forums.com/index.php?topic=1820006>

Question 1015

Which of the following is a consequence of extending the payback period of a student loan from 10 to 30 years?

- A) higher monthly payments
- B) more interest paid over the life of the loan
- C) faster payoff of principal
- D) lower monthly payments initially, but higher monthly payments in the future

Answer: <https://biology-forums.com/index.php?topic=1818415>

Question 1016

If the U.S. current account balance is negative,

- A) its financial account is likely to be positive.
- B) its financial account is likely to be negative.

- C) it must use official settlements to balance its payments.
D) its balance of payments cannot be zero.

Answer: <https://biology-forums.com/index.php?topic=1820047>

Question 1017

Which of the following expressions is correct?

- A) $B = B_{non} + BR$
B) $BR = B_{non} + B$
C) $B_{non} = B + BR$
D) $B_{non} = -BR - B$

Answer: <https://biology-forums.com/index.php?topic=1819782>

Question 1018

A one-year discount bond with a par value of \$1,000 sold today, at issuance, for \$943 has a yield to maturity of

- A) 4.30%.
B) 5.70%.
C) 6.04%.
D) 9.43%.

Answer: <https://biology-forums.com/index.php?topic=1818426>

Question 1019

When market participants have rational expectations

- A) they use all information available to them.
B) they only slowly adjust their expectations to news which could affect prices or returns.
C) they are less likely to make accurate forecasts than if they have adaptive expectations.
D) they are able to forecast interest rates more accurately than inflation rates.

Answer: <https://biology-forums.com/index.php?topic=1818787>

Question 1020

An increase in the tax rate on dividends, other things equal, is likely to result in a(n)

- A) increased demand for bonds due to an increase in the expected return on bonds relative to stocks.
B) increased supply of bonds due to an increase in the expected return on bonds relative to stocks.
C) reduced demand for bonds due to a decrease in the expected return on bonds relative to stocks.
D) reduced demand for bonds due to an increase in the expected return on bonds relative to stocks.

Answer: <https://biology-forums.com/index.php?topic=1818555>

Question 1021

Suppose a bond has a coupon of \$75, face value of \$1,000, and current price of \$1,100. What is the coupon rate? What is its current yield? Report a percentage with two decimal places.

Answer: <https://biology-forums.com/index.php?topic=1818417>

Question 1022

A Big Mac costs \$4 in the United States and 3 euros in Portugal. If the actual exchange rate is 1 euro = \$1.33, we can conclude that in this case

- A) the law of one price holds and the numbers are consistent with the theory of purchasing power parity.
B) the law of one price does not hold and the numbers are not consistent with the theory of purchasing power parity.
C) the law of one price holds but the numbers are not consistent with the theory of purchasing power parity.
D) the law of one price does not hold but the numbers are consistent with the theory of purchasing power parity.

Answer: <https://biology-forums.com/index.php?topic=1819059>

Question 1023

All of the following central banks took action to stimulate their economies following the 2007-2009 financial crisis and recession by implementing negative interest rates EXCEPT

- A) the U.S. Federal Reserve.
B) the European Central Bank.
C) the Swiss National Bank.
D) Denmark's Nationalbank.

Answer: <https://biology-forums.com/index.php?topic=1819987>

Question 1024

If the nonbank public wants to move funds from checkable deposits to savings accounts

- A) M1 and M2 would both rise.
- B) M1 and M2 would both remain unchanged.
- C) M1 would fall and M2 would remain unchanged.
- D) M1 would fall and M2 would rise.

Answer: <https://biology-forums.com/index.php?topic=1819831>

Question 1025

All of the following are cited by Warren Buffet as problems with derivatives not traded on exchanges EXCEPT

- A) they are thinly traded which makes it difficult to determine their value.
- B) firms do not set aside reserves against potential losses.
- C) they involve substantial counterparty risk.
- D) they were not flexible enough due to lack of standardization.

Answer: <https://biology-forums.com/index.php?topic=1818997>

Question 1026

On the day of delivery

- A) the spot price will equal the futures price.
- B) the spot price will be greater than the futures price by an amount equal to the current interest rate times the futures price.
- C) the futures price will be greater than the spot price by an amount equal to the current interest rate times the spot price.
- D) there is no necessary relation between the spot price and the futures price.

Answer: <https://biology-forums.com/index.php?topic=1818908>

Question 1027

Suppose that businesses in Japan reduce their spending on plant and equipment. What will be the effect on spending on plant and equipment by businesses in the United States?

Answer: <https://biology-forums.com/index.php?topic=1818624>

Question 1028

The segmented markets theory

- A) has difficulty explaining why yield curves usually slope up.
- B) has difficulty explaining why yield curves usually slope down.
- C) has difficulty explaining why yields on instruments of different maturities tend to move together.
- D) provides a good explanation of why yields on instruments of different maturities tend to move together.

Answer: <https://biology-forums.com/index.php?topic=1818691>

Question 1029

A corporation issues a three-year bond with a coupon of \$50 and a face value of \$1,000. A year later, market interest rates have declined to 4%. What is the price of the bond a year after it was issued? Report your answer to the nearest dollar.

Answer: <https://biology-forums.com/index.php?topic=1818454>

Question 1030

If the Fed wished to decrease the money supply, it could

- A) lower the interest rate on term deposits.
- B) lower the interest rate on reverse repurchase agreements.
- C) lower the required reserve ratio.
- D) raise the interest rate it pays on reserves.

Answer: <https://biology-forums.com/index.php?topic=1819867>

Question 1031

Which of the following is a form of e-money?

- A) gold
- B) PayPal
- C) an American Express card
- D) traveler's checks

Answer: <https://biology-forums.com/index.php?topic=1818323>

Question 1032

Reserves equal

- A) deposits with the Fed plus holdings of U.S. government securities.
- B) currency in circulation plus vault cash.
- C) deposits with the Fed plus vault cash.
- D) currency outstanding plus currency in circulation.

Answer: <https://biology-forums.com/index.php?topic=1819747>

Question 1033

In a move up the IS curve

- A) investment rises.
- B) output falls.
- C) the real interest rate falls.
- D) saving rises.

Answer: <https://biology-forums.com/index.php?topic=1820215>

Question 1034

The presence of transactions costs and information costs

- A) lowers the cost of funds to borrowers.
- B) raises the expected return to lenders.
- C) lowers the expected return to lenders.
- D) increases the efficiency of the financial system.

Answer: <https://biology-forums.com/index.php?topic=1819140>

Question 1035

If the economy experiences simultaneous negative aggregate demand and aggregate supply shocks, and the Fed decides NOT to intervene with expansionary policy. Short-run aggregate supply will eventually shift back to the right, which will eventually bring the economy

- A) back to potential GDP at a lower price level.
- B) back to potential GDP at a higher price level.
- C) back to the original equilibrium price at a lower level of aggregate output.
- D) back to the original equilibrium price at a higher level of aggregate output.

Answer: <https://biology-forums.com/index.php?topic=1820207>

Question 1036

Under a system of barter

- A) each individual trades output directly with another.
- B) only agricultural goods may be traded.
- C) goods may be traded for money, but money may not be traded for goods.
- D) currency is accepted for purchases, but personal checks are not.

Answer: <https://biology-forums.com/index.php?topic=1818257>

Question 1037

The most important factor in determining your FICO score is

- A) your history of making payments.
- B) how long you have been using credit.
- C) the amount you owe on loans and credit cards.
- D) how many different types of credit you have.

Answer: <https://biology-forums.com/index.php?topic=1819349>

Question 1038

How did the global savings glut in the 2000s affect the U.S. current account balance?

- A) It caused it to decline by increasing the value of the dollar.
- B) It caused it to decline by reducing the value of the dollar.
- C) It caused it to increase by increasing the value of the dollar.
- D) It caused it to increase by reducing the value of the dollar.

Answer: <https://biology-forums.com/index.php?topic=1820054>

Question 1039

Briefly discuss three reasons why firms may borrow funds from a bank.

Answer: <https://biology-forums.com/index.php?topic=1818230>

Question 1040

Fiat money

- A) is money that would have no value if it were not usable as money.
- B) is illegal in most advanced, industrial countries.
- C) is usually some type of precious metal.
- D) will generally be accepted in trade for less than its face value.

Answer: <https://biology-forums.com/index.php?topic=1818294>

Question 1041

How does proprietary trading expose investment banks to interest-rate and credit risk?

Answer: <https://biology-forums.com/index.php?topic=1819444>

Question 1042

If market participants have rational expectations, then the best forecast of the price of a stock in the next period is

- A) equal to an average of the prices of the stock in previous periods.
- B) equal to the price of the stock in the current period.
- C) dependent upon all information available in the current period, including, but not limited to, the price of the stock in the current period.
- D) dependent on information available in the previous period.

Answer: <https://biology-forums.com/index.php?topic=1818796>

Question 1043

As wealth decreases, which of the following is likely to account for a smaller fraction of a saver's portfolio?

- A) stocks
- B) corporate bonds
- C) cash
- D) U.S. government securities

Answer: <https://biology-forums.com/index.php?topic=1818486>

Question 1044

Which of the following is NOT a financial intermediary?

- A) NASDAQ
- B) Allstate Insurance Company
- C) Bank of America
- D) Vanguard Total Stock Market Index Fund

Answer: <https://biology-forums.com/index.php?topic=1818197>

Question 1045

Which of the following is NOT a reason that interest rates remained low despite high budget deficits following the financial crisis?

- A) increased demand for U.S. government bonds
- B) the perceived riskiness of alternative investments such as stocks
- C) low interest rates on corporate bonds and similar short-term assets
- D) increases in expected inflation

Answer: <https://biology-forums.com/index.php?topic=1818574>

Question 1046

The Employment Act of 1946 codified the federal government's commitment to

- A) promote high employment consistent with price stability.
- B) promote high employment irrespective of the effects on price stability.
- C) guarantee a job to every unemployed person.
- D) fine companies that engage in excessive layoffs during recessions.

Answer: <https://biology-forums.com/index.php?topic=1819843>

Question 1047

A one-year bond has an interest rate of 0.2% and is expected to rise to 0.5% next year and 1.1% in two years. The term premium for a two-year bond is 0.1% and for a three-year bond is 0.25%. What are the interest rates on a two-year bond and three-year bond according to the liquidity premium theory?

Answer: <https://biology-forums.com/index.php?topic=1818735>

Question 1048

The relation between the nominal and real exchange rates is given by which of the following equations?

- A) $E = (e \times P_{\text{Domestic}}) / P_{\text{Foreign}}$
- B) $e = E \times (P_{\text{Domestic}} / P_{\text{Foreign}})$
- C) $E = (e \times P_{\text{Foreign}}) / P_{\text{Domestic}}$
- D) $e = (E \times P_{\text{Foreign}}) / P_{\text{Domestic}}$

Answer: <https://biology-forums.com/index.php?topic=1819017>

Question 1049

According to the new classical theory, why may output differ from its full-employment level in the short run?

Answer: <https://biology-forums.com/index.php?topic=1820165>

Question 1050

The segmented markets theory

- A) explains upward-sloping yield curves as resulting from the demand for long-term bonds being high relative to the demand for short-term bonds.
- B) explains upward-sloping yield curves as resulting from the demand for long-term bonds being low relative to the demand for short-term bonds.
- C) explains upward-sloping yield curves as resulting from the favorable tax treatment of long-term bonds.
- D) is unable to account for upward-sloping yield curves.

Answer: <https://biology-forums.com/index.php?topic=1818690>

Question 1051

Transactions costs are

- A) zero in financial markets.
- B) zero in financial intermediaries.
- C) the costs of direct financial transactions.
- D) equal to the taxes imposed on financial transactions.

Answer: <https://biology-forums.com/index.php?topic=1819138>

Question 1052

Unlike the segmented markets theory, the expectations theory attributes the slope of the yield curve to

- A) tax considerations.
- B) the fact that short-term bonds are not perfect substitutes for long-term bonds.
- C) the market's view of future short-term interest rates.
- D) the variance in the inflation rates over the business cycle.

Answer: <https://biology-forums.com/index.php?topic=1818703>

Question 1053

Which of the following financial futures contracts are traded in the United States?

- A) interest rates
- B) stock indexes
- C) currencies
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=1818900>

Question 1054

Which of the following statements is TRUE of rational expectations?

- A) Rational expectations forecasts are always correct.
- B) For a trader with rational expectations, the expectation of an asset's price equals the optimal price forecast.
- C) If traders have rational expectations, any announcement by a company will have an effect on its stock price, even if the market was already aware of the facts being announced.
- D) If a trader really has rational expectations, he or she will always earn a greater than normal return on his or her financial portfolio.

Answer: <https://biology-forums.com/index.php?topic=1818792>

Question 1055

Temporary, short-term discount loans to banks in areas in which agriculture and tourism are important are known as

- A) primary credit.
- B) secondary credit.
- C) seasonal credit.

D) repo loans.

Answer: <https://biology-forums.com/index.php?topic=1819926>

Question 1056

Eurodollars refer to

- A) dollar deposits in banks outside the United States.
- B) dollar deposits only in banks in Europe.
- C) dollars printed especially for the European market.
- D) the exchange rate between the U.S. dollar and the euro.

Answer: <https://biology-forums.com/index.php?topic=1819026>

Question 1057

Since Germany is a large open economy, the increase in German borrowing and investment in what was formerly East Germany in the early 1990s resulted in

- A) a decline in the world real interest rate.
- B) a shift to the right in the German supply of loanable funds curve.
- C) an increase in the real interest rate in the United States.
- D) a shift to the left in the German demand for loanable funds curve.

Answer: <https://biology-forums.com/index.php?topic=1818616>

Question 1058

The FDIC was created in

- A) 1863.
- B) 1913.
- C) 1934.
- D) 1991.

Answer: <https://biology-forums.com/index.php?topic=1819389>

Question 1059

In 2008, the liquidity of mortgage-backed securities declined significantly. Make use of a graph of the bond market to show how this affected the price of mortgage-backed securities.

Answer: <https://biology-forums.com/index.php?topic=1818561>

Question 1060

If the expected gains on stocks rise, while the expected returns on bonds do NOT change, then

- A) the demand curve for bonds will shift to the left.
- B) the supply curve for loanable funds will shift to the right.
- C) the demand curve for loanable funds will shift to the left.
- D) the equilibrium interest rate will fall.

Answer: <https://biology-forums.com/index.php?topic=1818530>

Question 1061

If the six-month Treasury bill has an interest rate of 0.5%, the ten-year Treasury bond has an interest rate of 1.6%, and a ten-year bond issued by Dell has an interest rate of 4%, what is the risk premium on Dell's bond?

Answer: <https://biology-forums.com/index.php?topic=1818681>

Question 1062

If a central bank wishes to raise the foreign-exchange value of its currency, it will

- A) buy domestic currency and sell foreign assets.
- B) sell domestic currency and buy foreign assets.
- C) attempt to reduce domestic interest rates.
- D) attempt to raise the domestic price level relative to foreign price levels.

Answer: <https://biology-forums.com/index.php?topic=1820026>

Question 1063

A one-year discount bond with a face value of \$10,000 that is currently selling for \$9,400 has an interest rate of

- A) 3.10%.
- B) 6%.
- C) 6.38%.

D) 60%.

Answer: <https://biology-forums.com/index.php?topic=1818521>

Question 1064

The Fed has the greatest control over which of the following?

- A) the money multiplier
- B) discount loans
- C) the amount of excess reserves
- D) the nonborrowed monetary base

Answer: <https://biology-forums.com/index.php?topic=1819820>

Question 1065

If the central bank buys foreign assets

- A) the domestic monetary base will decline.
- B) domestic short-term interest rates will decline.
- C) the foreign-exchange value of the domestic currency will rise.
- D) its holdings of international reserves will rise.

Answer: <https://biology-forums.com/index.php?topic=1820008>

Question 1066

The problem of a double coincidence of wants refers to

- A) the insatiability of wants in a free market economy.
- B) poorly-managed companies producing what consumers want only by coincidence.
- C) the necessity in a barter system of each trading partner wanting what the other has to trade.
- D) the likelihood that needs will not be the same as wants.

Answer: <https://biology-forums.com/index.php?topic=1818263>

Question 1067

Why is the short-term nominal interest rate the opportunity cost of holding money?

Answer: <https://biology-forums.com/index.php?topic=1820127>

Question 1068

A Big Mac costs 400 yen in Japan and 50 pesos in Mexico. The purchasing power parity theory would predict that the exchange rate in the long run is

- A) 1 yen = 8 pesos.
- B) 1 peso = 8 yen.
- C) 1 peso = 0.125 yen.
- D) 1 yen = 20,000 pesos.

Answer: <https://biology-forums.com/index.php?topic=1819060>

Question 1069

Employees of brokerage firms that rely on forecasting future profits of firms in order to forecast future stock prices are called

- A) rational analysts.
- B) adaptive analysts.
- C) technical analysts.
- D) fundamental analysts.

Answer: <https://biology-forums.com/index.php?topic=1818821>

Question 1070

What is the largest category of bank assets?

- A) loans
- B) reserves
- C) securities
- D) cash items in the process of collection

Answer: <https://biology-forums.com/index.php?topic=1819290>

Question 1071

The two most important factors that cause the money demand curve to shift are

- A) real GDP and the price level.
- B) nominal GDP and the Fed.

- C) the price level and the nominal interest rate.
D) the nominal interest rate and the money supply.

Answer: <https://biology-forums.com/index.php?topic=1818589>

Question 1072

What four off-balance-sheet activities have banks come to rely on to earn fee income?

Answer: <https://biology-forums.com/index.php?topic=1819406>

Question 1073

The supply curve for bonds would decline due to

- A) an increase in wealth.
B) an increase in the expected return on bonds.
C) an increase in expected inflation.
D) a decrease in the riskiness of bonds relative to other assets.

Answer: <https://biology-forums.com/index.php?topic=1818540>

Question 1074

Which of the following represents the equation that would be used to determine the yield to maturity of a corporate bond with a face value of \$1,000, price of \$1,100, coupon rate of 5%, and maturity in three years?

- A) $\$1,100 = \$1,500/(1+i)^3$
B) $\$1,100 = \$500/(1+i) + \$500/(1+i)^2 + 1,000/(1+i)^3$
C) $\$1,100 = \$500/(1+i) + \$500/(1+i)^2 + 500/(1+i)^3$
D) $\$1,100 = \$500/(1+i) + \$500/(1+i)^2 + 1,500/(1+i)^3$

Answer: <https://biology-forums.com/index.php?topic=1818435>

Question 1075

When a nation is said to be running a balance of payments surplus, this means its

- A) official settlements balance is positive.
B) trade balance is positive.
C) net financial account balance is positive.
D) current account is positive.

Answer: <https://biology-forums.com/index.php?topic=1820053>

Question 1076

When economists and policymakers refer to the Fed's dual mandate, they are referring to

- A) price and exchange rate stability.
B) price stability and maximum employment.
C) moderate long-term interest rates and maximum employment.
D) price stability and moderate long-term interest rates.

Answer: <https://biology-forums.com/index.php?topic=1819852>

Question 1077

Given that most investors tend to be risk averse

- A) no one buys risky assets.
B) there's a trade-off between risk and return.
C) low risk assets provide the best return.
D) it must be a superior strategy compared to one that is risk loving.

Answer: <https://biology-forums.com/index.php?topic=1818496>

Question 1078

Suppose nominal GDP is \$14 trillion and the money supply is \$2 trillion. What is the velocity of money?

- A) 0.143
B) 7
C) 12
D) 28

Answer: <https://biology-forums.com/index.php?topic=1818355>

Question 1079

The assumption that reserves are scarce

- A) was accurate prior to the financial crisis of 2007-2009 but not following the crisis.
- B) was accurate following the financial crisis of 2007-2009 but not prior to the crisis.
- C) was accurate prior to and following the financial crisis of 2007-2009.
- D) was not accurate prior to or following the financial crisis of 2007-2009.

Answer: <https://biology-forums.com/index.php?topic=1819869>

Question 1080

How many Federal Reserve districts are there?

- A) 1
- B) 2
- C) 12
- D) 50

Answer: <https://biology-forums.com/index.php?topic=1819634>

Question 1081

Suppose Matt's New Cars issues a bond in which they'll need to pay \$10,000 in one year, which includes 4% interest. How much will they receive for the bond?

- A) \$9,600
- B) \$9,615
- C) \$10,000
- D) \$10,400

Answer: <https://biology-forums.com/index.php?topic=1818372>

Question 1082

In December 2008, the FOMC cut its target for the federal funds rate from 1% to a range from 0% to 0.25%, and it remained at this level for

- A) 2 years.
- B) 3 years.
- C) 5 1/2 years.
- D) 7 years.

Answer: <https://biology-forums.com/index.php?topic=1819940>

Question 1083

The law of large numbers allows insurance companies to

- A) hold capital market instruments as assets without fearing overly large numbers of defaults.
- B) hold money market instruments as assets without fearing overly large numbers of defaults.
- C) predict the average number of occurrences of insurable events in a large population of policyholders.
- D) charge higher premiums than necessary, knowing that large numbers of individuals will pay them.

Answer: <https://biology-forums.com/index.php?topic=1819476>

Question 1084

If banks were required to hold 100% reserves, this would

- A) put banks out of business.
- B) put depositors at greater risk of losing their money.
- C) prevent banks from making risky loans.
- D) eliminate bank runs.

Answer: <https://biology-forums.com/index.php?topic=1819534>

Question 1085

A one-year discount bond has a face value of \$1,000 and price of \$880. What is the yield to maturity on the bond? Report using percentages with two decimal places.

Answer: <https://biology-forums.com/index.php?topic=1818437>

Question 1086

During the financial crisis, the Fed introduced three new policy tools connected with bank reserve accounts. Which of the following is NOT one of those three new tools?

- A) interest on reserve balances
- B) open market operations
- C) overnight reserve repurchase agreement facility
- D) term deposit facility

Answer: <https://biology-forums.com/index.php?topic=1819866>

Question 1087

A closed economy is one that

- A) has no government sector.
- B) neither borrows from nor lends to foreign countries.
- C) produces mainly agricultural goods.
- D) produces mainly manufactured goods.

Answer: <https://biology-forums.com/index.php?topic=1818600>

Question 1088

If C represents currency, D represents checkable deposits, N represents savings accounts, and MM represents money market mutual funds, which of the following equations is correct?

- A) $M1 = N + MM$
- B) $M1 = D - N - MM$
- C) $M1 = C + D + N + MM$
- D) $M1 = C + D$

Answer: <https://biology-forums.com/index.php?topic=1819830>

Question 1089

In August 2016, what percentage of the unemployed had been out of work for least six months?

- A) 8.3%
- B) 16.4%
- C) 25.5%
- D) 64.7%

Answer: <https://biology-forums.com/index.php?topic=1820204>

Question 1090

For the average individual investor, the gap between the short-term interest rate at which he can borrow and the rate at which he could invest in long-term bonds is likely to be

- A) small or even negative, making the profitability of an interest -carry-trade strategy unlikely.
- B) small or even negative, making the profitability of an interest -carry-trade strategy likely.
- C) high, making the profitability of an interest -carry-trade strategy unlikely.
- D) high, making the profitability of an interest -carry-trade strategy likely.

Answer: <https://biology-forums.com/index.php?topic=1818726>

Question 1091

Interest rates typically fall during recessions, suggesting that

- A) the supply curve for bonds shifts more to the left than does the demand curve for bonds.
- B) the demand curve for bonds shifts more to the left than does the supply curve for bonds.
- C) the supply curve for bonds shifts to the left and the demand curve for bonds shifts to the right.
- D) the demand curve for bonds shifts to the left and the supply curve for bonds shifts to the right.

Answer: <https://biology-forums.com/index.php?topic=1818577>

Question 1092

In what year did the United States go off the gold standard?

- A) 1933
- B) 1945
- C) 1981
- D) 2001

Answer: <https://biology-forums.com/index.php?topic=1819783>

Question 1093

A Federal Reserve repurchase agreement involves

- A) an agreement by a bank to repay a discount loan on a specific day.
- B) an agreement by a dealer to buy back securities she has sold to the Fed.
- C) an agreement between the Fed and the Treasury for the Fed to purchase a specified amount of Treasury securities.
- D) an agreement by a commercial bank to make a loan to another bank in the federal funds market.

Answer: <https://biology-forums.com/index.php?topic=1819911>

Question 1094

When the Fed lends to depository institutions, the loans are called

- A) federal funds.
- B) discount loans.
- C) repurchase agreements.
- D) reverse repurchase agreements.

Answer: <https://biology-forums.com/index.php?topic=1819752>

Question 1095

The policy trilemma is the hypothesis that it is impossible for a country to have all of the following at the same time EXCEPT

- A) exchange rate stability.
- B) economic growth.
- C) free capital flows.
- D) monetary policy independence.

Answer: <https://biology-forums.com/index.php?topic=1820096>

Question 1096

Which of the following is NOT a reason that credit ratings agencies became more relevant beginning in the late 1970s?

- A) The number of bond defaults rose due to periods of recession and inflation.
- B) Rating agencies began to charge investors for their services.
- C) Governments began to include bond ratings in their regulation of banks, mutual funds, and other financial firms.
- D) Rating agencies began to rate bonds issued by foreign governments and firms.

Answer: <https://biology-forums.com/index.php?topic=1818671>

Question 1097

Which group is hurt by inflation being less than expected?

- A) holders of TIPS
- B) lenders of fixed-rate mortgages
- C) borrowers with fixed-rate mortgages
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=1818480>

Question 1098

Which of the following is the largest measure of money in the United States?

- A) Federal Reserve notes
- B) definitive money
- C) M1
- D) M2

Answer: <https://biology-forums.com/index.php?topic=1818342>

Question 1099

In what sense does the IMF act as a lender of last resort? How might the IMF's actions during the Mexican crisis of the mid-1990s have contributed to the Asian currency crisis a few years later?

Answer: <https://biology-forums.com/index.php?topic=1820104>

Question 1100

Based on data from past returns, a person age 22 who invests \$100 per month in stocks will, by the age of 67, have

- A) less than if the person had invested in CDs.
- B) twice as much than if the person had invested in CDs.
- C) thirteen times as much than if the person had invested in CDs.
- D) one-hundred times as much than if the person had invested in CDs.

Answer: <https://biology-forums.com/index.php?topic=1818826>

Question 1101

What impact do savings rates in Belgium have on the real interest rate that businesses in Belgium must pay to obtain the funds to finance their spending on plant and equipment?

Answer: <https://biology-forums.com/index.php?topic=1818623>

Question 1102

Banks are exposed to interest rate risk primarily because

- A) interest rates are very difficult to forecast.
- B) the maturities of banks' assets and liabilities differ.
- C) borrowers from banks are prone to default.
- D) depositors are always searching for a slightly higher interest rate.

Answer: <https://biology-forums.com/index.php?topic=1819360>

Question 1103

Borrowers who stated but did not document their incomes are referred to as

- A) subprime.
- B) alt-A.
- C) adjustable.
- D) securitized.

Answer: <https://biology-forums.com/index.php?topic=1818246>

Question 1104

The discount window is

- A) another name for the discount rate.
- B) the means by which the Fed makes discount loans to banks.
- C) the spread between the discount rate and the T-bill rate.
- D) the period each month during which banks are allowed to apply for discount loans.

Answer: <https://biology-forums.com/index.php?topic=1819920>

Question 1105

What is the policy trilemma?

Answer: <https://biology-forums.com/index.php?topic=1820106>

Question 1106

Herd behavior can best be described as

- A) the large number of investors involved in the stock market.
- B) how large participation in financial markets increase market efficiency.
- C) informed investors can outperform relatively uninformed investors.
- D) relatively uninformed investors follow the behavior of other investors instead of considering fundamentals.

Answer: <https://biology-forums.com/index.php?topic=1818850>

Question 1107

What effect would economic weakness in Europe due to a sovereign debt crisis have on the U.S. economy?

- A) The IS curve shifts to the right.
- B) The IS curve shifts to the left.
- C) Potential GDP increases.
- D) Potential GDP decreases.

Answer: <https://biology-forums.com/index.php?topic=1820225>

Question 1108

Which of the following is an investment institution?

- A) The New York Stock Exchange
- B) Greater Illinois Savings and Loan
- C) Prudential Insurance Company
- D) Fidelity Magellan Mutual Fund

Answer: <https://biology-forums.com/index.php?topic=1819449>

Question 1109

According to the equation of exchange, how can national income grow even though the amount of money does NOT?

- A) Price level increases.
- B) Real GDP decreases.
- C) Velocity increases.
- D) Velocity decreases.

Answer: <https://biology-forums.com/index.php?topic=1818357>

Question 1110

If a one-year bond currently yields 5% and is expected to yield 7% next year, the liquidity premium theory predicts that the yield today on a two-year bond should be

- A) 5%.
- B) less than 6%, but more than 5%.
- C) 6%.
- D) more than 6%.

Answer: <https://biology-forums.com/index.php?topic=1818709>

Question 1111

The financial system performs the role of communicating information by

- A) constantly increasing the liquidity of most assets.
- B) constantly reducing the riskiness of most assets.
- C) incorporating all available information into the prices of financial assets.
- D) providing to investors for a nominal charge all government reports available about a particular company.

Answer: <https://biology-forums.com/index.php?topic=1818213>

Question 1112

According to the Fisher effect, an increase in expected inflation results in

- A) lower nominal interest rates.
- B) higher nominal interest rates.
- C) lower real interest rates.
- D) higher real interest rates.

Answer: <https://biology-forums.com/index.php?topic=1818573>

Question 1113

The fixed exchange rates of the Bretton Woods system were maintained

- A) by central bank interventions in the foreign-exchange market.
- B) by the requirement that short-term interest rates be equalized in all participating countries.
- C) by the requirement that long-term interest rates be equalized in all participating countries.
- D) through the automatic workings of the foreign-exchange market.

Answer: <https://biology-forums.com/index.php?topic=1820068>

Question 1114

Which of the following equations is correct?

- A) $M = m(B_{non} + ER)$
- B) $M = m(B_{non} + BR)$
- C) $M = m(C + BR)$
- D) $M = C + R$

Answer: <https://biology-forums.com/index.php?topic=1819819>

Question 1115

Which of the following is NOT true of a fixed payment loan?

- A) The borrower is required to make regular periodic payments to the lender.
- B) The payments made by the borrower include both interest and principal.
- C) The borrower is left with a substantial unpaid principal at the maturity of the loan.
- D) A home mortgage is an example of fixed payment loan.

Answer: <https://biology-forums.com/index.php?topic=1818404>

Question 1116

How did the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 affect the Fed?

Answer: <https://biology-forums.com/index.php?topic=1819685>

Question 1117

If the Fed makes a discount loan of \$2 million to a commercial bank, the Fed's balance sheet will show

- A) an increase in discount loans of \$2 million and an increase in bank reserves of \$2 million.
- B) an increase in discount loans of \$2 million and a decrease in bank reserves of \$2 million.

C) a decrease in discount loans of \$2 million and an increase in bank reserves of \$2 million.
D) a decrease in discount loans of \$2 million and a decrease in bank reserves of \$2 million.
Answer: <https://biology-forums.com/index.php?topic=1819777>

Question 1118

A key point made by the Gordon growth model is that the
A) value of a stock depends on investor's expectations about the future profitability of a firm.
B) past trends in a stock's behavior indicate future price trends.
C) dividends have little to do with a stock's value.
D) risk has little effect on a stock's value.
Answer: <https://biology-forums.com/index.php?topic=1818765>

Question 1119

If there is an excess supply of bonds at a given price of bonds, then
A) the interest rate will fall.
B) the interest rate will rise.
C) the price of bonds will rise.
D) the interest rate may rise or the interest rate may fall depending upon the reasons for the excess supply for bonds.
Answer: <https://biology-forums.com/index.php?topic=1818525>

Question 1120

A syndicate is
A) a group of brokers illegally making use of insider information.
B) a group of commercial banks that agrees to accept the checks of each other's depositors.
C) a group of investment banks underwriting a large security issue.
D) a group of dealers that markets a government bond issue.
Answer: <https://biology-forums.com/index.php?topic=1819410>

Question 1121

Behavioral economics can best be described as
A) the study of situations in which people's choices do not appear to be economically rational.
B) the study of human economic behavior.
C) the basis for efficient markets.
D) the study of how the economy affects human behavior.
Answer: <https://biology-forums.com/index.php?topic=1818844>

Question 1122

Which of the following helps explain why depositors sometimes put their funds in demand deposits rather than NOW accounts?
A) Demand deposits pay interest, whereas NOW accounts do not pay interest.
B) Businesses may not hold NOW accounts.
C) Checks may be written against demand deposits, but not against NOW accounts.
D) Demand deposits are more liquid than NOW accounts.
Answer: <https://biology-forums.com/index.php?topic=1819269>

Question 1123

As of 2016, about how many banks were there in the United States?
A) 57
B) 2,200
C) 5,000
D) 14,200
Answer: <https://biology-forums.com/index.php?topic=1819376>

Question 1124

The Fed and Treasury took action to restore the flow of funds from savers to borrowers in order to encourage all of the following EXCEPT
A) increase the return to savers.
B) enable households to purchase durable goods.
C) increase the likelihood of purchases of houses.
D) allow firms to finance purchases of structures and equipment.
Answer: <https://biology-forums.com/index.php?topic=1818247>

Question 1125

Profits from speculation arise because of

- A) the spread between the bid and ask prices on bonds.
- B) the illiquidity of markets for derivative instruments.
- C) the high information costs in markets for derivative instruments.
- D) disagreements among traders about future prices of a commodity or financial instrument.

Answer: <https://biology-forums.com/index.php?topic=1818865>

Question 1126

What were the two main rationale for exempting nonbanks from restrictions on assets and degrees of leverage?

Answer: <https://biology-forums.com/index.php?topic=1819508>

Question 1127

In 2015, the net financial account balance was approximately

- A) \$790 billion.
- B) \$195 billion.
- C) -\$0.04 billion.
- D) -\$463 billion.

Answer: <https://biology-forums.com/index.php?topic=1820046>

Question 1128

Marking to market refers to

- A) the determination of the prices of options contracts by the interaction of demand and supply.
- B) the determination of the prices of futures contracts by the interaction of demand and supply.
- C) the settlement of gains and losses on futures contracts each day.
- D) the settlement of gains and losses on forward contracts each day.

Answer: <https://biology-forums.com/index.php?topic=1818911>

Question 1129

Which theory explains all three facts about the term structure?

- A) expectations
- B) segmented markets
- C) preferential treatment
- D) liquidity premium

Answer: <https://biology-forums.com/index.php?topic=1818723>

Question 1130

Which of the following would NOT cause the demand curve for bonds to shift?

- A) a change in wealth
- B) a change in the price of bonds
- C) a change in the liquidity of bonds
- D) a change in expected inflation

Answer: <https://biology-forums.com/index.php?topic=1818526>

Question 1131

When a country's nominal exchange rate depreciates, the price of

- A) that country's goods abroad increases.
- B) that country's goods abroad decreases.
- C) foreign goods sold in the country decreases.
- D) that country's goods produced and sold at home decreases.

Answer: <https://biology-forums.com/index.php?topic=1819011>

Question 1132

The fourth stage in the regulatory process is

- A) a crisis.
- B) response by the financial system.
- C) regulation.
- D) regulatory response.

Answer: <https://biology-forums.com/index.php?topic=1819599>

Question 1133

Explain what happens to the nominal interest rate when the Fed decreases the money supply. Make use of a graph of the money market to illustrate this change in the money supply and the nominal interest rate.

Answer: <https://biology-forums.com/index.php?topic=1818598>

Question 1134

The nominal interest rate parity condition states that

- A) domestic and foreign assets must have nominal returns that are identical, irrespective of the characteristics of the assets.
- B) when domestic and foreign assets have identical risk, liquidity, and information characteristics, their nominal returns must also be identical.
- C) while nominal returns are equalized across all foreign and domestic assets, real returns may vary widely.
- D) while real returns are equalized across all foreign and domestic assets, nominal returns may vary widely.

Answer: <https://biology-forums.com/index.php?topic=1819086>

Question 1135

How do individuals become members of the Board of Governors?

Answer: <https://biology-forums.com/index.php?topic=1819688>

Question 1136

The aggregate demand curve illustrates the relationship between

- A) the aggregate expenditure for goods and services, and the real interest rate.
- B) the aggregate expenditure for goods and services, and the level of current output.
- C) the level of current output and the real interest rate.
- D) the aggregate expenditure for goods and services, and the price level.

Answer: <https://biology-forums.com/index.php?topic=1820109>

Question 1137

What factors do some who promote the profitability of elaborate trading strategies leave out?

- A) the effect of trading costs and taxes
- B) the difficulty of calculating the return on investment
- C) ignoring the effect of dividends
- D) not accounting for both capital gains and dividends

Answer: <https://biology-forums.com/index.php?topic=1818841>

Question 1138

How did Operation Twist affect the monetary base?

- A) reduced
- B) increased
- C) no change
- D) indeterminate

Answer: <https://biology-forums.com/index.php?topic=1819935>

Question 1139

As a person's wealth increases, which of the following portfolio holdings is likely to increase the least?

- A) checking account
- B) stocks
- C) money market fund
- D) bonds

Answer: <https://biology-forums.com/index.php?topic=1818494>

Question 1140

Mean reversion refers to the tendency for

- A) futures prices to revert to the prices of the underlying securities.
- B) the long-run mean return on stocks to equal the long-run mean return on bonds.
- C) stocks with high returns today to experience low returns in the future and for stocks with low returns today to experience high returns in the future.
- D) financial analysts whose stock picks have earned above-normal returns in the past to be unable to pick stocks that will perform as well in the future.

Answer: <https://biology-forums.com/index.php?topic=1818835>

Question 1141

Which of the following would NOT cause the IS curve to shift to the left?

- A) a decrease in government purchases
- B) an increase in consumer confidence
- C) a decrease in foreign demand for domestic products
- D) a decrease in the expected future profitability of capital

Answer: <https://biology-forums.com/index.php?topic=1820217>

Question 1142

What is the difference between defensive and dynamic open market operations?

Answer: <https://biology-forums.com/index.php?topic=1819949>

Question 1143

Which of the following will cause the money demand curve to shift to the left?

- A) a decrease in real GDP
- B) an increase in the price level
- C) a decrease in the nominal interest rate
- D) an increase in the supply of money

Answer: <https://biology-forums.com/index.php?topic=1818591>

Question 1144

The process in which a cycle of falling asset prices and falling prices of goods and services can increase the severity of an economic downturn is called a

- A) financial crisis.
- B) bank run.
- C) sovereign debt crisis.
- D) debt-deflation process.

Answer: <https://biology-forums.com/index.php?topic=1819572>

Question 1145

Private information-collection firms fail to eliminate the adverse selection problem because

- A) the law does not allow them to disclose private information about the creditworthiness of firms.
- B) they do not monitor borrowers after loans have been made.
- C) some investors who do not pay for their services will still profit from them.
- D) most companies refuse to provide them with any information.

Answer: <https://biology-forums.com/index.php?topic=1819183>

Question 1146

Suppose Apple announces that its earnings for the fourth quarter of 2016 rose to \$2 billion. As a result of this announcement the price of Apple's stock does not change. The best explanation of this is

- A) market participants were expecting Apple's earnings to be greater than \$2 billion.
- B) market participants expected Apple's earnings to be \$2 billion.
- C) market participants expected Apple's earnings to be less than \$2 billion.
- D) market participants have adaptive expectations.

Answer: <https://biology-forums.com/index.php?topic=1818815>

Question 1147

If the account manager finds that the current level of bank reserves is greater than the desired level indicated in the most recent directive from the FOMC, he will

- A) order banks to reduce their reserves.
- B) order banks to raise their interest rates in an attempt to get them to loan out more of their reserves.
- C) conduct an open market purchase.
- D) conduct an open market sale.

Answer: <https://biology-forums.com/index.php?topic=1819909>

Question 1148

A load fund

- A) charges a commission for purchases or sales.

- B) is not obligated to redeem shares issued.
C) earns income only from management fees.
D) issues shares that may sell at a discount to the market value of the underlying assets.

Answer: <https://biology-forums.com/index.php?topic=1819452>

Question 1149

Make use of the quantity equation to answer the following problem. If the Fed increases the money supply by 6%, economic growth is 2%, and inflation is 2%, what is happening to the velocity of money? Be specific.

Answer: <https://biology-forums.com/index.php?topic=1818369>

Question 1150

The resolution plans of an investment bank that "must describe the company's strategy for rapid and orderly resolution in the event of material financial distress or failure of the company" is called a

- A) living will.
B) golden parachute.
C) prospectus.
D) reorganization plan.

Answer: <https://biology-forums.com/index.php?topic=1819503>

Question 1151

The yield to maturity on a new one-year discount bond equals

- A) $(FV - P)/P$.
B) $(D - FV)/P$.
C) $(FV - P)/FV$.
D) $(P - FV)/FV$.

Answer: <https://biology-forums.com/index.php?topic=1818424>

Question 1152

Moral hazard is NOT eliminated in debt financing because

- A) borrowers have an incentive to assume greater risk than is in the interest of the lender.
B) firms with a great deal of debt often go bankrupt.
C) principal-agent problems are greater with debt financing than with equity financing.
D) the use of restrictive covenants tends to increase moral hazard.

Answer: <https://biology-forums.com/index.php?topic=1819201>

Question 1153

The buyer of a futures contract

- A) assumes the short position.
B) has the obligation to deliver the underlying financial instrument at the specified date.
C) has the obligation to receive the underlying financial instrument at the specified future date.
D) may, at his or her option, deliver or receive the underlying financial instrument at the specified date.

Answer: <https://biology-forums.com/index.php?topic=1818896>

Question 1154

Forward transactions

- A) provide little risk sharing.
B) are very liquid.
C) have information problems.
D) are widely used by sellers of commodities, but rarely used by buyers of commodities.

Answer: <https://biology-forums.com/index.php?topic=1818876>

Question 1155

If the price of a Toyota Camry is ¥2,000,000 and the price of a Ford Fusion is \$20,000, according to the law of one price, the exchange rate between the yen and the dollar should be

- A) ¥100 = \$1.
B) \$100 = ¥1.
C) ¥1,980,000 = \$1.
D) The law of one price does not apply since the goods are differentiated.

Answer: <https://biology-forums.com/index.php?topic=1819057>

Question 1156

All of the following have been proposed as explaining the limited effectiveness of monetary policy during and after the financial crisis of 2007-2009 EXCEPT

- A) recessions accompanied by financial crises tend to be severe.
- B) prolonged levels of high unemployment had led to a reduction in the employment-population ratio that would be difficult to reverse.
- C) the reluctance of the Fed to implement nonconventional policies.
- D) structural changes as important sectors of the economy were deeply affected by the financial crisis.

Answer: <https://biology-forums.com/index.php?topic=1820210>

Question 1157

All of the following are examples of electronic funds EXCEPT

- A) credit cards.
- B) debit cards.
- C) ACH transactions.
- D) e-money.

Answer: <https://biology-forums.com/index.php?topic=1818319>

Question 1158

Where do the FDIC's funds come from?

- A) Congress appropriates money for the FDIC, just as it does for other federal agencies.
- B) The FDIC earns income through the insurance premiums paid by insured banks and from investment earnings.
- C) The FDIC sells bonds in the financial markets.
- D) The FDIC relies on voluntary contributions from the banking community.

Answer: <https://biology-forums.com/index.php?topic=1819395>

Question 1159

What is meant by inflation targeting? Does the Fed engage in inflation targeting?

Answer: <https://biology-forums.com/index.php?topic=1819990>

Question 1160

Falling stock prices _____ the funds that firms can raise, which _____ their spending on physical capital.

- A) increases; increases
- B) increases; decreases
- C) decreases; increases
- D) decreases; decreases

Answer: <https://biology-forums.com/index.php?topic=1818754>

Question 1161

Suppose that you expect during the next year the dollar will appreciate against the pound from 0.5 pound to the dollar to 0.75 pound to the dollar. How much will you expect to make on an investment of \$10,000 in British government securities that will mature in one year and pay interest of 8%?

- A) -59.5%
- B) -28%
- C) 8%
- D) 28%

Answer: <https://biology-forums.com/index.php?topic=1819079>

Question 1162

If you have \$2 million in a CD at a commercial bank that is a member of the FDIC, how much of your funds are uninsured?

- A) \$0
- B) \$1 million
- C) \$1.75 million
- D) \$2 million

Answer: <https://biology-forums.com/index.php?topic=1819394>

Question 1163

Investors value liquidity in an asset because

- A) liquid assets tend to have high rates of return.
- B) liquid assets incur lower selling costs.

C) liquid assets incur lower tax liabilities.
D) whereas liquid assets have high information costs, their low risk offsets this.
Answer: <https://biology-forums.com/index.php?topic=1818483>

Question 1164

Banks with which type of loans were most likely to fail during the early 1930s?
A) mortgage loans
B) agricultural loans
C) commercial real estate loans
D) international loans
Answer: <https://biology-forums.com/index.php?topic=1819565>

Question 1165

Noise traders
A) pursue trading strategies based on an inflated view of their ability to understand the significance of a piece of news.
B) make use of inside information.
C) reduce the amount of risk in the market.
D) help to ensure that asset prices reflect the fundamental values of the securities being traded.
Answer: <https://biology-forums.com/index.php?topic=1818843>

Question 1166

According to the Gordon growth model, what is the value of a stock with a dividend of \$2, required return on equity of 8% and expected growth rate of dividends of 4%?
A) \$25
B) \$26
C) \$50
D) \$52
Answer: <https://biology-forums.com/index.php?topic=1818764>

Question 1167

The existence of rating agencies has
A) lowered returns on corporate bonds.
B) raised returns on corporate bonds.
C) left returns on corporate bonds largely unaffected.
D) raised returns on both corporate bonds and Treasury securities.
Answer: <https://biology-forums.com/index.php?topic=1818654>

Question 1168

Noise traders
A) tend to lose money on stock trades, but help to stabilize the market.
B) tend to make higher returns than do "buy-and-hold" investors.
C) create additional risk in the market by increasing price fluctuations.
D) trade only when they have inside information.
Answer: <https://biology-forums.com/index.php?topic=1818847>

Question 1169

Research by Reinhart and Rogoff indicate that most of the increase in national debt as a result of a financial crisis is due to
A) government bailouts of financial institutions.
B) increased spending on social welfare programs.
C) government stimulus programs.
D) sharp declines in tax revenues.
Answer: <https://biology-forums.com/index.php?topic=1819522>

Question 1170

Which of the following does NOT describe the relationship between banks and small business during the 2000s (prior to the financial crisis)?
A) Banks typically applied fixed guidelines for granting loans, leaving little room for personal judgment.
B) Fewer small businesses received loans as banks shifted their focus to mortgages.
C) Many small businesses were receiving loans from regional and national banks.
D) More banks became convinced that it would be profitable to loosen their loan guidelines to make more borrowers eligible to receive credit.
Answer: <https://biology-forums.com/index.php?topic=1818222>

Question 1171

Which of the following statements is TRUE about M2?

- A) Its total value is smaller than that of M1.
- B) Apart from those assets also included in M1, it includes no assets that offer check-writing features.
- C) Its total value is about four times as large as M1.
- D) It includes large-denomination time deposits.

Answer: <https://biology-forums.com/index.php?topic=1818334>

Question 1172

Make use of a T-account to show the effect of the Fed's purchase of \$5 billion worth of foreign government securities on the Fed's balance sheet (note: assume the Fed writes a check to purchase the securities).

Answer: <https://biology-forums.com/index.php?topic=1820018>

Question 1173

If a small open economy reduces its budget deficit, the result will be

- A) a lower world real interest rate, but no change in the domestic real interest rate.
- B) a lower domestic real interest rate, but no change in the world real interest rate.
- C) lower domestic and world real interest rates.
- D) no change in either the domestic or world real interest rate.

Answer: <https://biology-forums.com/index.php?topic=1818622>

Question 1174

The Fed has attempted to solve the problems of being unable to directly control the variables that determine economic performance and the timing lags in observing and reacting to economic fluctuations by

- A) pressing Congress for legislation which would expand its powers.
- B) using targets to meet its goals.
- C) abandoning some goals in order to achieve others.
- D) devising new monetary policy tools.

Answer: <https://biology-forums.com/index.php?topic=1819959>

Question 1175

A one-year bond currently pays 5% interest. It's expected that it will pay 4.5% next year and 4% the following year. The two-year term premium is 0.2% while the three-year term premium is 0.35%. What is the interest rate on a two-year bond according to the liquidity premium theory?

- A) 4.5%
- B) 4.75%
- C) 4.95%
- D) 4.975%

Answer: <https://biology-forums.com/index.php?topic=1818697>

Question 1176

When the price of a coupon bond increases

- A) the coupon rate declines.
- B) the coupon rate increases.
- C) the current yield declines.
- D) the current yield increases.

Answer: <https://biology-forums.com/index.php?topic=1818408>

Question 1177

Who sets the inflation target for the Bank of England?

- A) Prime Minister
- B) chancellor of the Exchequer
- C) head of the monetary policy committee
- D) majority vote of the monetary policy committee

Answer: <https://biology-forums.com/index.php?topic=1819724>

Question 1178

Open market operations

- A) lack flexibility because only very small purchases or sales may be carried out in any given month.

- B) lack flexibility because open market purchases cannot easily be offset by subsequent open market sales.
- C) are more flexible than other traditional policy tools.
- D) may be carried out only on the third Friday of each month.

Answer: <https://biology-forums.com/index.php?topic=1819918>

Question 1179

What is the yield to maturity on a simple loan that requires payment of \$500 plus \$30 in interest one year from now?

- A) 5.3%
- B) 6%
- C) 6.38%
- D) Not enough information has been provided to determine the answer.

Answer: <https://biology-forums.com/index.php?topic=1818423>

Question 1180

A person's earnings over a period of time is known as

- A) money.
- B) income.
- C) wealth.
- D) all of the above.

Answer: <https://biology-forums.com/index.php?topic=1818302>

Question 1181

Evidence indicates that there's a strong relationship between money and inflation in

- A) both the short and long run.
- B) neither the short nor the long run.
- C) short run, but not the long run.
- D) long run, but not the short run.

Answer: <https://biology-forums.com/index.php?topic=1818362>

Question 1182

As an option nears its expiration date, the size of the premium approaches

- A) zero.
- B) infinity.
- C) its intrinsic value.
- D) an amount which varies, depending on prevailing market interest rates on the expiration date.

Answer: <https://biology-forums.com/index.php?topic=1818964>

Question 1183

Congress introduced deposit insurance in response to

- A) the savings-and-loan crisis of the 1980s.
- B) the banking crisis of the 1930s.
- C) the demise of the Second Bank of the United States in 1836.
- D) the demise of the First Bank of the United States in 1811.

Answer: <https://biology-forums.com/index.php?topic=1819385>

Question 1184

Which president failed to renew the charter of the Second Bank of the United States?

- A) George Washington
- B) Andrew Jackson
- C) Franklin Roosevelt
- D) Lyndon Johnson

Answer: <https://biology-forums.com/index.php?topic=1819625>

Question 1185

In the 1790s, stock and bond markets were established in all of the following cities EXCEPT

- A) New York.
- B) Boston.
- C) Washington, D.C.
- D) Philadelphia.

Answer: <https://biology-forums.com/index.php?topic=1819131>

Question 1186

What is an advantage of using forward contracts instead of options to hedge against exchange-rate risk?

Answer: <https://biology-forums.com/index.php?topic=1819127>

Question 1187

ATS accounts

- A) convert a corporation's checking account balance at the end of the day into an overnight repurchase agreement.
- B) are the names given to NOW accounts outside of New England.
- C) are negotiable certificates of deposit of less than \$100,000.
- D) were used during the Great Depression by depositors who had lost faith in conventional checking accounts.

Answer: <https://biology-forums.com/index.php?topic=1819615>

Question 1188

Which of the following statements is correct?

- A) New classicals believe that the aggregate supply curve is a vertical line in both the short run and the long run.
- B) Both new classicals and new Keynesians believe that the aggregate supply curve is vertical in the long run.
- C) New Keynesians believe that the aggregate supply curve is vertical in the short run but not in the long run.
- D) New Keynesians believe that the aggregate supply curve slopes upward in the long run.

Answer: <https://biology-forums.com/index.php?topic=1820154>

Question 1189

Though Treasury bonds may have little default risk, what type of risk exists when current interest rates are low?

- A) price risk
- B) refinancing risk
- C) interest-rate risk
- D) present value risk

Answer: <https://biology-forums.com/index.php?topic=1818373>

Question 1190

Suppose you purchase a bond with a coupon of \$30 for \$1,025. You sell it one year later for \$1,050. What rate of return did you earn? Report a percentage with two decimal places.

Answer: <https://biology-forums.com/index.php?topic=1818469>

Question 1191

Briefly describe how the Bretton Woods system worked. What advantages did it have over the gold standard? What problems did the Bretton Woods system eventually encounter?

Answer: <https://biology-forums.com/index.php?topic=1820103>

Question 1192

Briefly explain the process of securitizing mortgages.

Answer: <https://biology-forums.com/index.php?topic=1818231>

Question 1193

Which of the following is likely to be more of a problem after the introduction of deposit insurance?

- A) moral hazard
- B) adverse selection
- C) contagion
- D) bank runs

Answer: <https://biology-forums.com/index.php?topic=1819500>

Question 1194

What are the likely effects of a sovereign debt crisis in terms of the government's ability to finance its debt?

Answer: <https://biology-forums.com/index.php?topic=1819551>

Question 1195

Which investment caused the Reserve Primary Fund to incur heavy losses?

- A) mortgage-backed securities

- B) real estate investment trusts
- C) commercial paper issued by Bear Stearns
- D) commercial paper issued by Lehman Brothers

Answer: <https://biology-forums.com/index.php?topic=1819585>

Question 1196

During the financial crisis of 2007-2009

- A) mortgage-backed securities became more liquid.
- B) information costs of mortgage-backed securities rose.
- C) information costs of mortgage-backed securities declined.
- D) the tax treatment of mortgage-backed securities was changed.

Answer: <https://biology-forums.com/index.php?topic=1818656>

Question 1197

What constitutes meaningful independence of a central bank?

Answer: <https://biology-forums.com/index.php?topic=1819734>

Question 1198

For an institutional investor, if the expectations theory is correct, the average of the expected short-term interest rates over the life of the long-term investment should be roughly equal to the interest rate on the long term investment, which would

- A) result in a positive level of profits from an interest-carry-trade strategy.
- B) result in an even higher-than-expected level of profits from an interest-carry-trade strategy.
- C) result in a high level of negative profits (losses) from an interest-carry-trade strategy.
- D) eliminate any potential profits from an interest-carry-trade strategy.

Answer: <https://biology-forums.com/index.php?topic=1818727>

Question 1199

All of the following are examples of risky mortgages that became more common in the 2000s EXCEPT

- A) alt-A mortgages.
- B) adjustable-rate mortgages with low rates for a few years and then higher rates in later years.
- C) mortgages requiring down payments of at least 20%.
- D) subprime mortgages.

Answer: <https://biology-forums.com/index.php?topic=1818237>

Question 1200

What was the intent behind the intervention of the Fed and Treasury in financial markets during the Financial Crisis of 2007-2009?

Answer: <https://biology-forums.com/index.php?topic=1818249>

Question 1201

Suppose that savers become less willing to purchase medium-quality corporate bonds. The result will be that the prices of medium-quality corporate bonds will

- A) fall relative to the price of U.S. Treasury securities, but rise relative to the price of high-quality corporate bonds.
- B) rise relative to the price of U.S. Treasury securities, but fall relative to the price of high-quality corporate bonds.
- C) rise relative to the prices of U.S. Treasury securities and high-quality corporate bonds.
- D) fall relative to the prices of U.S. Treasury securities and high-quality corporate bonds.

Answer: <https://biology-forums.com/index.php?topic=1818652>

Question 1202

How does an increase in interest rates affect net exports?

Answer: <https://biology-forums.com/index.php?topic=1820129>

Question 1203

Illustrate the effect of the Fed purchasing \$50 million worth of mortgage-backed securities on the Fed's balance sheet.

Answer: <https://biology-forums.com/index.php?topic=1819791>

Question 1204

If a government's income tax receipts exceed its expenditures, the government is running a

- A) surplus and is a net borrower of funds.
- B) surplus and is a net saver of funds.

C) deficit and is a net borrower of funds.

D) deficit and is a net saver of funds.

Answer: <https://biology-forums.com/index.php?topic=1818545>

Question 1205

Liquidity

A) is the best available measure of the riskiness of an asset.

B) is a characteristic of money, and of no other asset.

C) is the ease with which an asset can be exchanged for money.

D) was declining for many financial assets during the 1990s.

Answer: <https://biology-forums.com/index.php?topic=1818210>

Question 1206

According to the efficient markets hypothesis, who is most likely to benefit from frequently moving funds from one asset to another?

A) your broker

B) small investors

C) big investors

D) only those who consistently beat the market

Answer: <https://biology-forums.com/index.php?topic=1818804>

Question 1207

How does the Fed reach its target for the federal funds rate?

A) by changing the discount rate

B) by changing reserve requirements

C) by buying and selling Treasury securities

D) by directly setting the federal funds rate

Answer: <https://biology-forums.com/index.php?topic=1819680>

Question 1208

The Fed's inability to instantaneously observe changes in inflation and economic growth result in

A) information lag.

B) impact lag.

C) policy lag.

D) jet lag.

Answer: <https://biology-forums.com/index.php?topic=1819956>

Question 1209

Steve Forbes has run for president twice on a program of a "flat tax." Under a flat tax, there would be only one tax bracket for the federal income tax and most tax deductions and tax exemptions would be eliminated. Suppose that Forbes wins the 2020 presidential election. What would be the likely impact on the market for municipal bonds?

Answer: <https://biology-forums.com/index.php?topic=1818676>

Question 1210

Which of the following is the mandate of the European Central Bank?

A) high economic growth

B) price stability

C) low unemployment

D) a fixed exchange rate

Answer: <https://biology-forums.com/index.php?topic=1819730>

Question 1211

The main reason central banks engage in foreign-exchange interventions is to

A) stabilize the domestic money supply.

B) stabilize domestic interest rates.

C) stabilize foreign interest rates.

D) stabilize the exchange rate.

Answer: <https://biology-forums.com/index.php?topic=1820021>

Question 1212

In an options contract, another name for the strike price is the

- A) market price.
- B) exercise price.
- C) equilibrium price.
- D) fixed price.

Answer: <https://biology-forums.com/index.php?topic=1818959>

Question 1213

Which of the following is a liability of the Fed?

- A) U.S. government securities
- B) currency in circulation
- C) discount loans to banks
- D) checkable deposits in commercial banks

Answer: <https://biology-forums.com/index.php?topic=1819737>

Question 1214

Defensive open market transactions

- A) are aimed at achieving changes in monetary policy.
- B) are used much less frequently than dynamic open market transactions.
- C) are used to offset disturbances to the supply or demand for reserves.
- D) make it easy to deduce the Fed's intentions for monetary policy.

Answer: <https://biology-forums.com/index.php?topic=1819915>

Question 1215

One method that lenders use to mitigate the adverse selection problem is to

- A) charge higher interest rates to less creditworthy borrowers.
- B) monitor closely the behavior of borrowers after a loan is made.
- C) ration credit.
- D) provide default insurance.

Answer: <https://biology-forums.com/index.php?topic=1819173>

Question 1216

Since all assets typically do NOT move together, how can investors typically reduce risk?

- A) purchase only the best performing assets
- B) diversify one's portfolio across different asset classes
- C) avoid poor performing assets
- D) actively manage one's portfolio

Answer: <https://biology-forums.com/index.php?topic=1818499>

Question 1217

The original intent of the Federal Reserve Act of 1913 was to provide the Fed with what role?

- A) regulator of the banking system
- B) lender of last resort
- C) manage the exchange rate
- D) maintain a balanced budget

Answer: <https://biology-forums.com/index.php?topic=1819673>

Question 1218

If the current price of a bond is less than its face value

- A) an investor will receive a capital gain by holding the bond until maturity.
- B) the yield to maturity must be less than the current yield.
- C) the coupon rate must be greater than the current yield.
- D) the coupon rate must be equal to the current yield.

Answer: <https://biology-forums.com/index.php?topic=1818461>

Question 1219

All else being equal, an increase in the U.S. demand for foreign goods causes the supply of dollars to _____ and the dollar will _____ relative to foreign currencies.

- A) increase; appreciate
- B) increase; depreciate

C) decrease; appreciate

D) decrease; depreciate

Answer: <https://biology-forums.com/index.php?topic=1819076>

Question 1220

Suppose you invest \$5,000 in a one-year Japanese bond that pays 1% interest. At the time of your purchase, 85 yen equals \$1 while one year later, 80 yen equals \$1. What will be the value of your investment in one year when measured in dollars?

Answer: <https://biology-forums.com/index.php?topic=1819119>

Question 1221

Which of the following things do banks do with the funds they acquire from savers?

A) invest in corporate stock

B) invest in corporate bonds

C) make loans to individuals

D) all of the above

Answer: <https://biology-forums.com/index.php?topic=1819257>

Question 1222

A firm that holds an inventory of a security and serves as an intermediary between buyers and sellers of the security is known as a(n)

A) underwriter.

B) finance company.

C) syndicate.

D) market maker.

Answer: <https://biology-forums.com/index.php?topic=1819420>

Question 1223

Which of the following statements is NOT true of the VIX?

A) It is calculated based on prices of call and put options of the S&P 500.

B) Investors who want to hedge against stock market volatility can sell VIX options.

C) A VIX of 10 indicates investors expect the S&P 500 to fluctuate by 10% at an annual rate over the next 30 days.

D) The VIX is a measure of fear in the stock market.

Answer: <https://biology-forums.com/index.php?topic=1818974>

Question 1224

The third stage in the regulatory process is

A) a crisis.

B) response by the financial system.

C) regulation.

D) regulatory response.

Answer: <https://biology-forums.com/index.php?topic=1819598>

Question 1225

Which of the following statements is correct?

A) New classicals believe that the aggregate supply curve is vertical in the short run.

B) New Keynesians believe that the aggregate supply curve is vertical in the short run.

C) New Keynesians believe that the aggregate supply curve slopes upward in the long run.

D) New classicals believe that the aggregate supply curve slopes upward in the short run.

Answer: <https://biology-forums.com/index.php?topic=1820153>

Question 1226

Which of the following is an advantage of hedging with options instead of forward contracts?

A) Options prices tend to be lower than forward prices.

B) If the price moves in the opposite direction to the one hedged against, the hedger can decline to exercise the option and limit the loss to what was paid for the option.

C) If the price moves in the direction of the one hedged against, the hedger can decline to exercise the option and limit the loss to what was paid for the option.

D) Options allow investors to purchase a forward contract at a later date.

Answer: <https://biology-forums.com/index.php?topic=1819114>

Question 1227

When economists, policymakers, or journalists refer to the Fed's balance sheet, they are typically referring to the

- A) money supply.
- B) size of the Fed's assets.
- C) amount of bank reserves.
- D) amount of foreign reserves.

Answer: <https://biology-forums.com/index.php?topic=1819785>

Question 1228

Which of the following three goals that make up the policy trilemma can be achieved at the same time in China?

- A) exchange rate stability and free capital flows
- B) monetary policy independence and exchange rate stability
- C) free capital flows and monetary policy independence
- D) exchange rate stability, free capital flows, and monetary policy independence

Answer: <https://biology-forums.com/index.php?topic=1820099>

Question 1229

In the market for loanable funds the price of the funds exchanged is

- A) the price of bonds.
- B) the volume of bonds purchased.
- C) the volume of bonds sold.
- D) the interest rate.

Answer: <https://biology-forums.com/index.php?topic=1818608>

Question 1230

In what ways is the Fed independent of the political process?

Answer: <https://biology-forums.com/index.php?topic=1819718>

Question 1231

Which of the following is a type of risk faced by commercial banks?

- A) liquidity risk
- B) interest-rate risk
- C) credit risk
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=1819371>

Question 1232

FICO scores range from

- A) 1 to 100.
- B) 300 to 850.
- C) Aaa to F.
- D) A+ to D-.

Answer: <https://biology-forums.com/index.php?topic=1819348>

Question 1233

All of the following are true in Sweden EXCEPT

- A) many branches of Sweden's banks do not accept cash deposits.
- B) some stores have stopped accepting cash payments.
- C) many churches encourage parishioners to make donations using a mobile banking app.
- D) the government no longer issues paper currency.

Answer: <https://biology-forums.com/index.php?topic=1818328>

Question 1234

Financial intermediaries are able to exploit economies of scale since

- A) the equipment or expertise necessary for one transaction can be applied to other transactions.
- B) they have special licenses needed to perform financial transactions.
- C) financial markets fail to do so.
- D) they can reduce transactions costs, but not information costs.

Answer: <https://biology-forums.com/index.php?topic=1819151>

Question 1235

Which is the best example of idiosyncratic risk?

- A) a financial crisis
- B) a lawsuit because the corporation produced a faulty product
- C) a recession
- D) rising interest rates

Answer: <https://biology-forums.com/index.php?topic=1818503>

Question 1236

Which of the following assigns widely-followed bond ratings?

- A) Standard & Poor's Corporation
- B) Securities and Exchange Commission
- C) Federal Reserve
- D) IBM

Answer: <https://biology-forums.com/index.php?topic=1818638>

Question 1237

Which type of offering typically has the lowest fees?

- A) initial public offering of stocks
- B) secondary offering
- C) offering of investment-grade bonds
- D) offering of non-investment-grade bonds

Answer: <https://biology-forums.com/index.php?topic=1819407>

Question 1238

In September 2008, the Fed and the U.S. Treasury

- A) saved both Lehman Brothers and AIG from bankruptcy.
- B) saved Lehman Brothers, but not AIG, from bankruptcy.
- C) saved AIG, but not Lehman Brothers, from bankruptcy.
- D) saved neither Lehman Brothers nor AIG from bankruptcy.

Answer: <https://biology-forums.com/index.php?topic=1819604>

Question 1239

If the interest rate on a U.S. one-year bond is 1%, the interest rate on a Mexican one-year bond is 5%, and investors expect the dollar to appreciate by 1% versus the peso, what is the currency premium for U.S. investors to hold Mexican pesos?

- A) -3%
- B) 3%
- C) 4%
- D) 7%

Answer: <https://biology-forums.com/index.php?topic=1819099>

Question 1240

States that restrict banks to having a single branch are said to require

- A) mono banking.
- B) nonbank banking.
- C) unit banking.
- D) semi-banking.

Answer: <https://biology-forums.com/index.php?topic=1819396>

Question 1241

During an economic recession

- A) the demand and supply curves for bonds both shift to the right and the equilibrium interest rate usually rises.
- B) the demand and supply curves for bonds both shift to the left and the equilibrium interest rate usually falls.
- C) the demand curve for bonds shifts to the right, the supply curve for bonds shifts to the left, and the equilibrium interest rate usually falls.
- D) the demand curve for bonds shifts to the left, the supply curve for bonds shifts to the right, and the equilibrium interest rate usually rises.

Answer: <https://biology-forums.com/index.php?topic=1818566>

Question 1242

Which of the following decreases the M2 multiplier?

- A) a decrease in the required reserve ratio
- B) a decrease in the currency-to-deposit ratio
- C) an increase in the nonbank public's preference for nontransaction accounts relative to checkable deposits
- D) a decrease in the nonbank public's preference for money market-type accounts relative to checkable deposits

Answer: <https://biology-forums.com/index.php?topic=1819836>

Question 1243

In the federal funds market diagram, a decrease in the required reserve ratio

- A) shifts the demand curve for reserves to the left.
- B) increases the federal funds rate.
- C) results in a multiple expansion of deposits, which increases the equilibrium level of reserves held by banks.
- D) shifts the supply curve for reserves to the right.

Answer: <https://biology-forums.com/index.php?topic=1819875>

Question 1244

In what way do owners of stocks have limited liability?

Answer: <https://biology-forums.com/index.php?topic=1818756>

Question 1245

If the Fed decreases the money supply and as a result, households and firms buy fewer short-term financial assets, the prices of those short-term financial assets will _____ and the interest rates on those assets will _____.

- A) rise; rise
- B) rise; fall
- C) fall; rise
- D) fall; fall

Answer: <https://biology-forums.com/index.php?topic=1818593>

Question 1246

What happened to real interest rates during the early 1930s?

- A) They declined as nominal interest rates declined.
- B) They rose as nominal interest rates rose.
- C) They declined due to deflation.
- D) They rose due to deflation.

Answer: <https://biology-forums.com/index.php?topic=1819566>

Question 1247

In the United States, the lender of last resort is

- A) Fannie Mae.
- B) the Federal Reserve.
- C) the Federal Deposit Insurance Corporation.
- D) the Securities and Exchange Commission.

Answer: <https://biology-forums.com/index.php?topic=1818216>

Question 1248

Under which circumstance is the Fed most likely to carry out a defensive open market operation?

- A) to prevent an increase in inflation
- B) if a snowstorm results in a delay in check clearing, resulting in an increase in the Federal Reserve float
- C) to defend the value of the U.S. dollar on the foreign exchange market
- D) to prevent the negative impact of a demand shock

Answer: <https://biology-forums.com/index.php?topic=1819899>

Question 1249

How is the economy likely to respond when AE (sales) exceeds production?

Answer: <https://biology-forums.com/index.php?topic=1820240>

Question 1250

Which of the following will cause the money demand curve to shift to the right?

- A) a decrease in real GDP
- B) an increase in the price level
- C) an increase in the nominal interest rate
- D) a decrease in the supply of money

Answer: <https://biology-forums.com/index.php?topic=1818590>

Question 1251

If the nominal interest rate parity condition is NOT met

- A) imports will exceed exports.
- B) the return from holding domestic assets must exceed the expected return from holding foreign assets.
- C) the return from holding domestic assets must be less than the expected return from holding foreign assets.
- D) the return from holding domestic assets must be greater or less than the expected return from holding foreign assets.

Answer: <https://biology-forums.com/index.php?topic=1819089>

Question 1252

How did maintaining the gold standard deepen the severity of the Great Depression?

Answer: <https://biology-forums.com/index.php?topic=1820101>

Question 1253

Included in both M1 and M2 are

- A) savings accounts and money market mutual funds.
- B) savings accounts and checkable deposits.
- C) money market mutual funds and currency.
- D) currency and checkable deposits.

Answer: <https://biology-forums.com/index.php?topic=1819828>

Question 1254

The sensitivity of bank capital to market interest rates is measured by

- A) gap analysis.
- B) duration analysis.
- C) leverage ratio.
- D) capital analysis.

Answer: <https://biology-forums.com/index.php?topic=1819365>

Question 1255

The day after the Brexit vote, the value of the British pound relative to the U.S. dollar

- A) remained virtually unchanged.
- B) fell by nearly 8 percent.
- C) rose by more than 14 percent.
- D) almost doubled.

Answer: <https://biology-forums.com/index.php?topic=1819021>

Question 1256

If the forward exchange rate of the yen in terms of dollars is greater than the spot exchange rate

- A) Japanese interest rates must be higher than U.S. interest rates.
- B) U.S. interest rates must be higher than Japanese interest rates.
- C) market participants must be expecting the dollar to appreciate against the yen.
- D) market participants must be expecting the dollar to depreciate against the yen.

Answer: <https://biology-forums.com/index.php?topic=1819102>

Question 1257

Assuming a required reserve ratio of 10% and the Fed purchased \$1 million worth of mortgage-backed securities, make use of the simple deposit multiplier to determine by how much checking deposits would change.

- A) increase by \$1 million
- B) increase by \$10 million
- C) decrease by \$1 million
- D) decrease by \$10 million

Answer: <https://biology-forums.com/index.php?topic=1819802>

Question 1258

How does an increase in the price level result in higher interest rates?

- A) It increases the real money supply.
- B) It decreases the real money supply.
- C) It increases the real money demand.
- D) It decreases the real money demand.

Answer: <https://biology-forums.com/index.php?topic=1820126>

Question 1259

What unusual policy actions did the Fed take during the Financial Crisis of 2007-2009 that affected its balance sheet?

Answer: <https://biology-forums.com/index.php?topic=1819789>

Question 1260

It is generally agreed that

- A) the financial system would be more efficient if intermediaries were eliminated.
- B) small- and medium-sized firms benefit by the actions of intermediaries.
- C) the addition of intermediaries adds to transactions costs.
- D) intermediaries should not seek to profit from reducing transactions costs.

Answer: <https://biology-forums.com/index.php?topic=1819143>

Question 1261

In 1976, Congress passed legislation which requires most federal government agencies to give public notice before a meeting. This legislation is the

- A) Increased Transparency Act.
- B) No-Stone-Unturned Act.
- C) Government in the Sunshine Act.
- D) Dodd-Frank Act.

Answer: <https://biology-forums.com/index.php?topic=1819667>

Question 1262

Purchasing power parity's assumption that the real exchange is constant

- A) is correct in nearly all instances.
- B) would be correct were it not for the existence of trade barriers.
- C) is not reasonable.
- D) is correct for trade between the United States and Japan, but incorrect in most other bilateral trading relations.

Answer: <https://biology-forums.com/index.php?topic=1819051>

Question 1263

Individual investors who always want to hold gold are known as

- A) goldfinger.
- B) golden boys.
- C) gold bugs.
- D) goldilocks.

Answer: <https://biology-forums.com/index.php?topic=1819784>

Question 1264

Which groups were opposed to the Bank of the United States?

- A) northeastern industrial interests
- B) northeastern financial interests
- C) southern and western agrarian and small-business interests
- D) exporters

Answer: <https://biology-forums.com/index.php?topic=1819624>

Question 1265

Compounding refers to

- A) the calculation of interest rates after the compounding effect of taxes has been allowed for.
- B) the paying back of both interest and principal during the life of a fixed-payment loan.
- C) the process of earning interest on both the interest and the principal of an investment.
- D) the increased value of an investment that arises from the payment of periodic interest.

Answer: <https://biology-forums.com/index.php?topic=1818376>

Question 1266

In what ways did the stock market crash of 1929 increase the severity of the downturn?

Answer: <https://biology-forums.com/index.php?topic=1819574>

Question 1267

In the federal funds market diagram, an open market sale by the Fed

- A) shifts the reserve supply curve to the right.
- B) shifts the reserve supply curve to the left.
- C) decreases the federal funds rate.
- D) increases the volume of federal funds traded.

Answer: <https://biology-forums.com/index.php?topic=1819874>

Question 1268

The president of which Federal Reserve Bank is always a voting member of the Federal Open Market Committee?

- A) Philadelphia
- B) Boston
- C) Chicago
- D) New York

Answer: <https://biology-forums.com/index.php?topic=1819665>

Question 1269

From the peak before the financial crisis, lending to small businesses by the largest banks has

- A) increased by about 25%.
- B) remained unchanged.
- C) declined by about 40%.
- D) virtually stopped.

Answer: <https://biology-forums.com/index.php?topic=1819398>

Question 1270

A "primary market" is a market

- A) for government securities.
- B) in which newly issued claims are sold to buyers by borrowers.
- C) in which newly issued claims are sold by savers to borrowers.
- D) for debt by large or "primary" corporations.

Answer: <https://biology-forums.com/index.php?topic=1818201>

Question 1271

If the expected gains on stocks rise, while the expected returns on bonds do NOT change, then

- A) the demand curve for bonds will shift to the right.
- B) the supply curve for loanable funds will shift to the right.
- C) the equilibrium interest rate will fall.
- D) the equilibrium interest rate will rise.

Answer: <https://biology-forums.com/index.php?topic=1818529>

Question 1272

Which of the following accurately describes the relationship between excess reserves and checkable deposits following the financial crisis of 2007-2009?

- A) Excess reserves declined as the excess reserve ratio returned to near zero.
- B) Excess reserves rose to nearly one-third of checkable deposits.
- C) Excess reserves approached the same level as checkable deposits.
- D) Excess reserves exceeded checkable deposits.

Answer: <https://biology-forums.com/index.php?topic=1819812>

Question 1273

Compare the characteristics of loans and marketable securities in terms of liquidity, risk, and information costs.

Answer: <https://biology-forums.com/index.php?topic=1819314>

Question 1274

How does adverse selection in financial markets affect the method by which firms raise funds?

Answer: <https://biology-forums.com/index.php?topic=1819237>

Question 1275

The Troubled Asset Relief Program (TARP) allowed

- A) the Treasury to inject funds into commercial banks in return for stock in the banks.
- B) the Fed to provide funds to commercial banks in return for stock.
- C) the Treasury to insure bank deposits at major U.S. banks.
- D) the Fed to make loans to banks as the lender of last resort.

Answer: <https://biology-forums.com/index.php?topic=1818241>

Question 1276

In the new Keynesian view, a monopolistically competitive firm may fail to increase the price of its product as demand increases because

- A) if it does, it will lose all of its customers.
- B) the cost to it of changing prices may exceed the benefit of doing so.
- C) prices of monopolistically competitive firms are regulated by the federal government and may only be changed with permission.
- D) for a monopolistically competitive firm, price is below marginal cost.

Answer: <https://biology-forums.com/index.php?topic=1820151>

Question 1277

An increase in the expected price level

- A) shifts the short-run aggregate supply curve up and to the left.
- B) shifts the short-run aggregate supply curve down and to the right.
- C) has no effect on the short-run aggregate supply curve.
- D) results in a movement along the short-run aggregate supply curve, rather than a shift in the short-run aggregate supply curve.

Answer: <https://biology-forums.com/index.php?topic=1820157>

Question 1278

Which of the following is an intermediate target?

- A) M2
- B) reserves
- C) unemployment rate
- D) inflation rate

Answer: <https://biology-forums.com/index.php?topic=1819961>

Question 1279

Which of the following is considered to be a goal of monetary policy?

- A) a low federal budget deficit
- B) fair wages
- C) price stability
- D) an end to poverty

Answer: <https://biology-forums.com/index.php?topic=1819838>

Question 1280

Federal Reserve district banks perform all of the following roles EXCEPT

- A) managing check clearing in the payments system.
- B) performing regulatory functions.
- C) setting the federal funds rate.
- D) managing currency in circulation by issuing new Federal Reserve notes.

Answer: <https://biology-forums.com/index.php?topic=1819649>

Question 1281

As a part of the Dodd-Frank Act of 2010, Congress amended a portion of the Federal Reserve Act so the Fed could

- A) now make loans to individual companies.
- B) only make loans to commercial banks.
- C) no longer make loans to individual companies.
- D) no longer make any loans to private corporations.

Answer: <https://biology-forums.com/index.php?topic=1819606>

Question 1282

When did the Fed first begin to use open market operations as a policy tool?

- A) the 1920s
- B) the 1930s
- C) the 1960s
- D) the 1980s

Answer: <https://biology-forums.com/index.php?topic=1819896>

Question 1283

Which of the Fed's three new policy tools connected with bank reserve accounts is the least important?

- A) interest on reserve balances
- B) term deposit facility
- C) overnight reverse repurchase agreement facility
- D) reserve requirements

Answer: <https://biology-forums.com/index.php?topic=1819868>

Question 1284

The most important derivative instruments are

- A) futures, options, and swaps.
- B) common and preferred stocks.
- C) corporate bonds.
- D) government bonds.

Answer: <https://biology-forums.com/index.php?topic=1818861>

Question 1285

The unemployment that is caused by changes in the economy, such as shifts in manufacturing techniques, increased use of computers and electronic machines, and increases in the production of services instead of goods, is called

- A) frictional unemployment.
- B) structural unemployment.
- C) cyclical unemployment.
- D) natural unemployment.

Answer: <https://biology-forums.com/index.php?topic=1819848>

Question 1286

The main reason why banks are the leading source of external finance for businesses is

- A) the interest rates on bank loans are usually lower than interest rates on corporate bonds.
- B) banks have an information-cost advantage in reducing adverse selection problems.
- C) interest paid on bank loans is deductible against the corporate income tax, whereas interest paid on corporate bonds is not.
- D) government regulators encourage small businesses to obtain funding from banks.

Answer: <https://biology-forums.com/index.php?topic=1819206>

Question 1287

If a corporation pays a dividend, which group receives priority in receiving the dividend?

- A) bond holders
- B) holders of common stock
- C) holders of preferred stock
- D) Dividends are evenly divided by holders of common and preferred stock.

Answer: <https://biology-forums.com/index.php?topic=1818742>

Question 1288

In 2016, state and local government pension plans were estimated to be

- A) overfunded by a total of \$10 billion.
- B) underfunded by a total of \$150 billion.
- C) underfunded by a total of \$500 billion.
- D) underfunded by a total of \$1 trillion.

Answer: <https://biology-forums.com/index.php?topic=1819490>

Question 1289

Which of the following is the highest bond rating assigned by Moody's Investors Service?

- A) Aaa
- B) A
- C) B
- D) Baa

Answer: <https://biology-forums.com/index.php?topic=1818640>

Question 1290

Under the liquidity premium theory, the expectation that future short-term rates will be constant results in a yield curve that

- A) is flat.
- B) slopes upward.
- C) slopes downward.
- D) is flat, slopes upward, or slopes downward, depending on the size of the term premium at each maturity.

Answer: <https://biology-forums.com/index.php?topic=1818712>

Question 1291

Suppose an investment bank is buying \$50 million in long-term mortgage-backed securities, and finances the investment by borrowing 80% and paying for the other 20% out of equity. What is the bank's leverage?

- A) 1.25
- B) 4
- C) 5
- D) 10

Answer: <https://biology-forums.com/index.php?topic=1819422>

Question 1292

The S&P 500 declined by more than 20%, its largest one day decline ever, in

- A) October 1929.
- B) August 1934.
- C) October 1987.
- D) December 2007.

Answer: <https://biology-forums.com/index.php?topic=1818752>

Question 1293

Required reserves are

- A) the portion of demand deposits and NOW accounts banks must hold.
- B) zero on demand deposits.
- C) zero on NOW accounts.
- D) imposed on all deposits at commercial banks.

Answer: <https://biology-forums.com/index.php?topic=1819282>

Question 1294

Which of the following is NOT a form of a short-term loan in the shadow banking system?

- A) repurchase agreements
- B) commercial paper
- C) money market mutual fund shares
- D) bank deposits

Answer: <https://biology-forums.com/index.php?topic=1819496>

Question 1295

Which of the following is the source of funds for bank loans?

- A) marketable securities
- B) required reserves
- C) excess reserves
- D) bank capital

Answer: <https://biology-forums.com/index.php?topic=1819321>

Question 1296

In a simple model of the economy, if the MPC is 0.8, the multiplier will equal

- A) 0.2.
- B) 0.8.
- C) 1.25.
- D) 5.

Answer: <https://biology-forums.com/index.php?topic=1820222>

Question 1297

As the housing bubble began to burst in 2006-2008, investors would only buy mortgage-backed securities at high yields to compensate for higher perceived default risk. As a result

- A) banks suffered significant capital losses as the value of their holdings of mortgage-backed securities declined.
- B) funds available for mortgages increased.
- C) bank profits rose as they earned higher interest on mortgages.
- D) the price of mortgage-backed securities tended to rise due to the higher yields.

Answer: <https://biology-forums.com/index.php?topic=1818451>

Question 1298

The development of new financial securities or investment strategies using sophisticated models is known as

- A) underwriting.
- B) factoring.
- C) financial engineering.
- D) hedging.

Answer: <https://biology-forums.com/index.php?topic=1819416>

Question 1299

An increase in the price level will result in a(n) _____ in the demand for money and cause the nominal interest rate to _____.

- A) decrease; decrease
- B) decrease; increase
- C) increase; decrease
- D) increase; increase

Answer: <https://biology-forums.com/index.php?topic=1818595>

Question 1300

What is the length of a term for the Chairman of the Board of Governors?

- A) one year
- B) four years
- C) 14 years
- D) 28 years

Answer: <https://biology-forums.com/index.php?topic=1819659>

Question 1301

In the market for loanable funds, the seller is considered to be

- A) the lender.
- B) the borrower.
- C) the lender or the borrower depending upon the use to which the funds are put.
- D) the lender or the borrower depending upon whether interest rates are rising or falling.

Answer: <https://biology-forums.com/index.php?topic=1818607>

Question 1302

What are three reasons that banks charge interest on loans?

Answer: <https://biology-forums.com/index.php?topic=1818385>

Question 1303

A one-year discount bond with a par value of \$5,000 sold today, at issuance, for \$4,750 has a yield to maturity of

- A) 2.50%.
- B) 5.00%.
- C) 5.26%.
- D) 9.75%.

Answer: <https://biology-forums.com/index.php?topic=1818425>

Question 1304

Which of the following is NOT considered a cash item by banks?

- A) U.S. Treasury bills
- B) deposits at other banks
- C) deposits at the Federal Reserve
- D) vault cash

Answer: <https://biology-forums.com/index.php?topic=1819281>

Question 1305

Suppose the required reserve ratio is 8%, the excess reserve-to-deposit ratio is 2%, and the currency-to-deposit ratio is 10%. What is the value of the money multiplier?

Answer: <https://biology-forums.com/index.php?topic=1819823>

Question 1306

Under the liquidity premium theory, the shape of the yield curve depends on

- A) the relative return of investments in common stocks versus investments in corporate bonds.
- B) the size of the federal government's budget deficit.
- C) government tax treatment of long-term versus short-term bonds.
- D) the expected pattern of future short-term rates and the size of the term premium at each maturity.

Answer: <https://biology-forums.com/index.php?topic=1818711>

Question 1307

The implication of the expectations theory that expected returns for a holding period must be the same for bonds of different maturities depends on the assumption that

- A) yield curves usually slope upward.
- B) yield curves usually slope downward.
- C) instruments with different maturities are perfect substitutes.
- D) savers are usually risk averse.

Answer: <https://biology-forums.com/index.php?topic=1818696>

Question 1308

High employment spurs economic growth because high employment

- A) usually reduces inflation.
- B) discourages foreign imports.
- C) often leads to a high birth rate.
- D) often leads to high rates of investment.

Answer: <https://biology-forums.com/index.php?topic=1819850>

Question 1309

Which of the following can be described as when a bank buys securities owned by a business while agreeing to sell them back at a later date?

- A) repurchase agreement
- B) reverse repurchase agreement
- C) federal funds
- D) discount loans

Answer: <https://biology-forums.com/index.php?topic=1819367>

Question 1310

Which of the following was NOT considered to have been a drawback of the pre-1914 gold standard?

- A) It sometimes led to inflation, which several times in the late nineteenth century caused recessions in the United States.
- B) Countries had little control over their domestic monetary policies.
- C) Countries with trade deficits experienced deflation.
- D) Changes in the world money supply were strongly influenced by gold discoveries.

Answer: <https://biology-forums.com/index.php?topic=1820060>

Question 1311

Investors who buy and sell oil derivatives with the hope of profiting from price changes in crude oil are known as

- A) arbitrageurs.
- B) speculators.

- C) wildcatters.
- D) profiteers.

Answer: <https://biology-forums.com/index.php?topic=1818863>

Question 1312

The supply curve of loanable funds slopes up because

- A) at higher bond prices more loanable funds will be supplied.
- B) higher interest rates reduce the inflation rate.
- C) an increase in the interest rate makes lenders more willing and able to supply more funds.
- D) a decrease in the interest rate makes lenders more willing and able to supply more funds.

Answer: <https://biology-forums.com/index.php?topic=1818603>

Question 1313

The reduction in transactions costs brought about by financial intermediaries benefits

- A) small savers, but not small borrowers.
- B) small borrowers, but not small savers.
- C) both small savers and small borrowers.
- D) society through greater economic efficiency; small savers and borrowers do not gain directly.

Answer: <https://biology-forums.com/index.php?topic=1819152>

Question 1314

In the bond market, the buyer is considered to be

- A) the lender.
- B) the borrower.
- C) the lender or the borrower, depending upon the use to which the funds are put.
- D) the lender or the borrower, depending upon whether interest rates are rising or falling.

Answer: <https://biology-forums.com/index.php?topic=1818534>

Question 1315

How are the operations of the Federal Reserve financed?

Answer: <https://biology-forums.com/index.php?topic=1819717>

Question 1316

If a central bank wishes to lower the foreign-exchange value of its currency, it will

- A) buy domestic currency and sell foreign assets.
- B) sell domestic currency and buy foreign assets.
- C) attempt to raise domestic interest rates.
- D) attempt to lower the domestic price level relative to foreign price levels.

Answer: <https://biology-forums.com/index.php?topic=1820027>

Question 1317

In 2016, the Bank of Japan

- A) started paying interest on bank reserves in an effort to lower inflation.
- B) raised the target interest rate to double digits for the first time in over 10 years.
- C) implemented a reverse quantitative easing program, where it sold long-term Treasury securities and mortgage-backed securities to raise long-term interest rates.
- D) instituted a negative interest rate on deposits it receives from Japanese banks, effectively requiring banks to pay the Bank of Japan for keeping their deposits.

Answer: <https://biology-forums.com/index.php?topic=1819982>

Question 1318

Which of the following is an example of behavior that is NOT rational?

- A) buying stocks after stock prices have declined
- B) buying stocks after stock prices have risen
- C) a significantly higher enrollment in 401K plans if people are automatically enrolled rather than having the option of signing up on their own
- D) enrollment in 401K plans during a bear market

Answer: <https://biology-forums.com/index.php?topic=1818845>

Question 1319

When reading an options listing for a company like General Motors, the further away the expiration date

- A) the higher the price of the call option and the lower the price of the put option.
- B) the lower the price of the call option and the higher the price of the put option.
- C) the higher the price of both the call option and the put option.
- D) the lower the price of both the call option and the put option.

Answer: <https://biology-forums.com/index.php?topic=1818980>

Question 1320

The theory of purchasing power parity assumes that

- A) nominal exchange rates are not affected by movements in relative price levels.
- B) real exchange rates are fixed.
- C) movements in nominal exchange rates are the result of movements in real exchange rates.
- D) inflation rates are roughly the same in most countries.

Answer: <https://biology-forums.com/index.php?topic=1819045>

Question 1321

Which of the following statements is correct?

- A) A devaluation of the British pound would result in more dollars to the pound.
- B) A revaluation of the British pound would raise the prices of U.S. goods in Britain.
- C) A devaluation of the British pound would lower the prices of British goods in the United States.
- D) Revaluations and devaluations of a country's currency were not allowed under the Bretton Woods system.

Answer: <https://biology-forums.com/index.php?topic=1820070>

Question 1322

The members of Federal Reserve district bank boards of directors who are leaders in industry, commerce, and agriculture are known as

- A) Class A directors.
- B) Class B directors.
- C) Class C directors.
- D) Class D directors.

Answer: <https://biology-forums.com/index.php?topic=1819645>

Question 1323

A debt instrument represents

- A) an ownership claim by the purchaser on the issuer.
- B) a promise by a borrower to repay principal plus interest to a lender.
- C) an attempt by a borrower in default to restore his or her credit.
- D) a nontaxable asset, owned primarily by large corporations.

Answer: <https://biology-forums.com/index.php?topic=1818391>

Question 1324

One of the extraordinary policy actions taken by the Fed in response to the financial crisis of 2007-2009 was making huge asset purchases. These asset purchases greatly increased all of the following EXCEPT

- A) bank reserves.
- B) the size of the Fed's balance sheet.
- C) the federal funds rate.
- D) the monetary base.

Answer: <https://biology-forums.com/index.php?topic=1819946>

Question 1325

The series of induced changes in consumption spending that result from an initial change in autonomous expenditure is called the

- A) induced effect.
- B) autonomous effect.
- C) multiplier effect.
- D) consumption effect.

Answer: <https://biology-forums.com/index.php?topic=1820220>

Question 1326

How can restrictive covenants help to reduce moral hazard in bond markets?

Answer: <https://biology-forums.com/index.php?topic=1819241>

Question 1327

In forward transactions

- A) the exchange takes place at the same exchange rate as in the spot market.
- B) currencies are exchanged at a set date in the future.
- C) currencies may only be exchanged at rates set by governments well in advance.
- D) currency is bought and sold for delivery later that same day.

Answer: <https://biology-forums.com/index.php?topic=1819101>

Question 1328

The Swiss franc is considered to be stronger if

- A) it takes fewer francs to acquire a foreign currency such as a dollar.
- B) it takes more francs to acquire a foreign currency such as a dollar.
- C) it takes fewer dollars to acquire a franc.
- D) it takes fewer dollars and fewer euros to acquire a franc.

Answer: <https://biology-forums.com/index.php?topic=1820024>

Question 1329

What is the rate of return on a bond with a coupon of \$55 that was purchased for \$900 and sold one year later for \$950?

- A) 5.56%
- B) 6.11%
- C) 11.67%
- D) 12.43%

Answer: <https://biology-forums.com/index.php?topic=1818457>

Question 1330

In 2016, savings rates in Japan, Germany, Denmark, Sweden, and Switzerland

- A) were at their lowest level since 1995, indicating that negative interest rates were not increasing consumer spending.
- B) were at their lowest level since 1995, indicating that negative interest rates were, indeed, increasing consumer spending.
- C) were at their highest level since 1995, indicating that negative interest rates were not increasing consumer spending.
- D) were at their highest level since 1995, indicating that negative interest rates were, indeed, increasing consumer spending.

Answer: <https://biology-forums.com/index.php?topic=1819988>

Question 1331

Under the Bretton Woods system, an asymmetry in the ability of central banks to defend their exchange rates existed because

- A) a country experiencing a balance of payments surplus was limited in its ability to defend its exchange rate by its stock of international reserves.
- B) a country experiencing a balance of payments deficit was limited in its ability to defend its exchange rate by its stock of international reserves.
- C) central banks were allowed by the IMF to adjust their exchange rates upward whenever they chose, but were rarely allowed to adjust their exchange rates downward.
- D) central banks were allowed by the IMF to adjust their exchange rates downward whenever they chose, but were rarely allowed to adjust their exchange rates upward.

Answer: <https://biology-forums.com/index.php?topic=1820069>

Question 1332

The new classical approach to the aggregate supply curve assumes that businesses are

- A) better informed about the general price level than they are about prices in their own markets.
- B) better informed about prices in their own markets than they are about the general price level.
- C) equally well informed about prices in their own markets and the general price level.
- D) reluctant to engage in investment spending because of a lack of information concerning future prices.

Answer: <https://biology-forums.com/index.php?topic=1820138>

Question 1333

Standardization of derivative contracts

- A) increases their liquidity.
- B) is the rule with respect to contracts whose underlying asset is a financial security, but not for contracts whose underlying asset is a commodity.
- C) is the rule with respect to contracts whose underlying asset is a commodity, but not for contracts whose underlying asset is a financial asset.
- D) has been proposed many times by financial analysts, but has not yet been carried out by the SEC.

Answer: <https://biology-forums.com/index.php?topic=1818890>

Question 1334

The most important economic benefit from specialization is that it

- A) makes it possible for an economy to begin using money.
- B) leads to an increase in the standard of living in an economy.
- C) makes barter possible.
- D) eliminates the need for financial markets.

Answer: <https://biology-forums.com/index.php?topic=1818253>

Question 1335

Generally, when there is asymmetric information

- A) a lender will only lend to the government.
- B) a lender will only lend to well-known borrowers.
- C) practical solutions are devised to allow lending to take place.
- D) a lender will cease all lending activities.

Answer: <https://biology-forums.com/index.php?topic=1819156>

Question 1336

Mutual funds

- A) take in deposits from savers and make loans to borrowers.
- B) sell shares to savers and purchase assets with the funds.
- C) take in deposits from savers and purchase assets with the funds.
- D) bring together small savers and small borrowers.

Answer: <https://biology-forums.com/index.php?topic=1819448>

Question 1337

Financial securities are exchanged by dealers linked by computers in a

- A) stock exchange.
- B) public exchange.
- C) financial exchange.
- D) over-the-counter market.

Answer: <https://biology-forums.com/index.php?topic=1818744>

Question 1338

Individual investors can reduce transactions costs by

- A) buying common stock rather than bonds.
- B) combining their purchases through an intermediary.
- C) purchasing common stocks directly, rather than through a mutual fund.
- D) making loans directly, rather than depositing funds in a bank.

Answer: <https://biology-forums.com/index.php?topic=1819149>

Question 1339

The difference between the interest a bank earns on loans and securities and the interest paid on deposits and debt divided by the total value of its assets is called

- A) interest spread.
- B) net interest margin.
- C) return on assets.
- D) return on equity.

Answer: <https://biology-forums.com/index.php?topic=1819324>

Question 1340

What is the difference between money, income, and wealth?

Answer: <https://biology-forums.com/index.php?topic=1818309>

Question 1341

An unsterilized intervention in which the central bank sells foreign assets to purchase domestic currency will result in

- A) higher domestic interest rates.
- B) lower domestic interest rates.
- C) an increase in the money supply.

D) lower domestic interest rates and an increase in the money supply.

Answer: <https://biology-forums.com/index.php?topic=1820028>

Question 1342

The primary difference between an American and a European option is

- A) American options must be exercised on the expiration date.
- B) European options must be exercised on the expiration date.
- C) American options may be exercised at any point up until the expiration date.
- D) European options may be exercised at any point up until the expiration date.

Answer: <https://biology-forums.com/index.php?topic=1818975>

Question 1343

Which of the following statements is correct?

- A) The volume of open market operations is determined jointly by the actions of the public, banks, and the Fed.
- B) The volume of open market operations is determined jointly by the actions of banks and the Fed.
- C) The volume of open market operations is determined jointly by the actions of the public and the Fed.
- D) The volume of open market operations is determined solely by the Fed.

Answer: <https://biology-forums.com/index.php?topic=1819917>

Question 1344

Moral hazard can contribute to high bank leverage in all of the following ways EXCEPT

- A) having high capital requirements.
- B) bank managers are compensated in part on providing shareholders with high returns on equity.
- C) high bank leverage provides shareholders with a potential for a higher return on equity.
- D) federal deposit insurance has reduced the incentive of depositors to monitor the behavior of bank managers.

Answer: <https://biology-forums.com/index.php?topic=1819329>

Question 1345

Which of the following is NOT true of moral hazard?

- A) It would not exist in a world of perfect information.
- B) It arises because borrowers typically know more than lenders.
- C) It describes a lender's problem of distinguishing the good-risk applicants from the bad-risk applicants.
- D) It describes a lender's problem in verifying borrowers are using their funds as intended.

Answer: <https://biology-forums.com/index.php?topic=1819160>

Question 1346

When financial markets and institutions are NOT efficient in matching savers and borrowers

- A) interest rates fall, which discourages saving even further.
- B) interest rates fall, which discourages investment even further.
- C) resources are lost.
- D) investment rises.

Answer: <https://biology-forums.com/index.php?topic=1819851>

Question 1347

At an interest rate of 3%, what is the present value of \$1,000 to be received five years from now?

- A) \$850
- B) \$863
- C) \$1,159
- D) \$1,667

Answer: <https://biology-forums.com/index.php?topic=1818381>

Question 1348

What is a repurchase agreement?

Answer: <https://biology-forums.com/index.php?topic=1819312>

Question 1349

Increased liquidity in recent decades has reduced interest rates on which of the following assets (holding constant all other things that affect interest rates)?

- A) U.S. government bonds

- B) bonds issued by large corporations
- C) business loans
- D) bonds issued by state governments

Answer: <https://biology-forums.com/index.php?topic=1818212>

Question 1350

An important reason why economies at an early stage of development tend to operate inefficiently is

- A) they tend to be dominated by the agricultural sector, where productivity is usually low.
- B) they tend to have authoritarian governments that stifle innovation.
- C) they tend to be plagued by superstitious beliefs that stifle innovation.
- D) the high transactions costs associated with barter.

Answer: <https://biology-forums.com/index.php?topic=1818251>

Question 1351

When a central bank buys foreign assets

- A) its assets and liabilities rise by the same amount.
- B) its assets and liabilities fall by the same amount.
- C) the composition of its assets changes, but its liabilities are unaffected.
- D) the composition of its liabilities changes, but its assets are unaffected.

Answer: <https://biology-forums.com/index.php?topic=1820000>

Question 1352

Which function of money enhances the ability of households to accumulate wealth?

- A) medium of exchange
- B) store of value
- C) valuable relative to its weight
- D) does not become worn out too quickly

Answer: <https://biology-forums.com/index.php?topic=1818300>

Question 1353

The term structure of interest rates

- A) represents the relationship among the interest rates on bonds that are otherwise similar but that have different maturities.
- B) reflects differing tax treatment received by different instruments.
- C) always results in an upward-sloping yield curve.
- D) usually results in a downward-sloping yield curve.

Answer: <https://biology-forums.com/index.php?topic=1818685>

Question 1354

By how much did real GDP decline between 1929 and 1933?

- A) 18%
- B) 20%
- C) 27%
- D) 81%

Answer: <https://biology-forums.com/index.php?topic=1819560>

Question 1355

If the required reserve ratio is 10% and the Fed purchases \$20 million worth of securities, what is the simple deposit multiplier and what happens to the amount of deposits in the banking system? Assume that banks do not hold excess reserves and the public does not change its currency holdings.

Answer: <https://biology-forums.com/index.php?topic=1819806>

Question 1356

Money can BEST be described as

- A) anything that is generally accepted as payment for goods and services or in the settlement of debts.
- B) paper that can be used to purchase goods and services.
- C) commodities that have intrinsic value.
- D) any form of wealth possessed by consumers.

Answer: <https://biology-forums.com/index.php?topic=1818273>

Question 1357

In regard to crowdfunding, investors with incomes or net worth of greater than \$100,000 can invest up to _____ per year in equity in startups through online crowdfunding sites.

- A) \$10,000
- B) \$50,000
- C) 10% of their income or net worth
- D) 40% of their income or net worth

Answer: <https://biology-forums.com/index.php?topic=1819218>

Question 1358

The recession of 2007-2009 was

- A) most severe recession ever experienced in the United States.
- B) the first recession since the 1930s to be accompanied by a financial crisis.
- C) caused by a stock market crash.
- D) limited to the economy of the United States.

Answer: <https://biology-forums.com/index.php?topic=1819540>

Question 1359

As a result of higher expected inflation

- A) the demand and supply curves for bonds both shift to the right and the equilibrium interest rate usually rises.
- B) the demand and supply curves for bonds both shift to the left and the equilibrium interest rate usually falls.
- C) the demand curve for bonds shifts to the right, the supply curve for bonds shifts to the left, and the equilibrium interest rate usually rises.
- D) the demand curve for bonds shifts to the left, the supply curve for bonds shifts to the right, and the equilibrium interest rate usually rises.

Answer: <https://biology-forums.com/index.php?topic=1818568>

Question 1360

The speculative attack on the British pound in 1967 succeeded because

- A) the pound was seriously undervalued relative to the dollar.
- B) Britain decided to drop out of the Bretton Woods system.
- C) British exports greatly exceeded British imports, causing a large inflow of gold.
- D) the Bank of England lacked the international reserves to defend the existing exchange rate indefinitely.

Answer: <https://biology-forums.com/index.php?topic=1820072>

Question 1361

In regard to crowdfunding, investors with incomes or net worth of less than \$100,000 can buy up to _____ in equity in startups through online crowdfunding sites.

- A) \$1,000
- B) \$2,000
- C) \$25,000
- D) Investors must have incomes or net worth of greater than \$100,000 to invest in startups through crowdfunding sites.

Answer: <https://biology-forums.com/index.php?topic=1819217>

Question 1362

If the economy is initially at equilibrium and an unexpected decline in aggregate demand takes place, in the short run aggregate output will

- A) fall in the new classical view, but not in the new Keynesian view.
- B) fall in the new Keynesian view, but not in the new classical view.
- C) fall in both the new Keynesian and new classical views.
- D) remain at full employment in both the new classical and new Keynesian views.

Answer: <https://biology-forums.com/index.php?topic=1820177>

Question 1363

A Big Mac costs \$4 in the United States and 3 euros in Portugal. The purchasing power parity theory would predict that the exchange rate in the long run is

- A) \$1 = 1.33 euros.
- B) \$1 = 0.75 euros.
- C) \$1 = 12 euros.
- D) 1 euro = \$0.75.

Answer: <https://biology-forums.com/index.php?topic=1819058>

Question 1364

How is the use of leverage a "double-edged sword"?

Answer: <https://biology-forums.com/index.php?topic=1819445>

Question 1365

Situations of negative interest rates on short-term bonds resulted from

- A) high income tax rates.
- B) government regulations requiring financial firms to purchase government bonds.
- C) very low risk premiums.
- D) investors looking for safe havens when other investments were perceived to be very risky.

Answer: <https://biology-forums.com/index.php?topic=1818719>

Question 1366

How is the interest rate that prevails in the bond market determined?

- A) by the interaction of stock prices and bond prices
- B) by the decision of the president, in consultation with Congress
- C) by the intersection of the demand for and supply of bonds
- D) by the Board of Governors of the New York Stock Exchange

Answer: <https://biology-forums.com/index.php?topic=1818533>

Question 1367

Which of the following appears to be evidence against the public interest view of the Fed's motivation?

- A) the conflict with the Treasury over interest rate fixing during World War II
- B) the failure of the Fed to emphasize the goal of price stability
- C) the unwillingness of the Fed to turn over its excess profits to the Treasury
- D) the independence of Fed chairmen from the authority of the president

Answer: <https://biology-forums.com/index.php?topic=1819701>

Question 1368

The Fed's monetary policy tools

- A) have proven to be of little value in helping the Fed to achieve its monetary policy goals.
- B) have allowed the Fed to achieve its monetary policy goals directly.
- C) have allowed the Fed to achieve its monetary policy goals indirectly.
- D) are no longer as effective in achieving its monetary policy goals, due to restrictive legislation passed by Congress in the 1990s.

Answer: <https://biology-forums.com/index.php?topic=1819954>

Question 1369

Disintermediation refers to the

- A) failure of financial intermediaries due to moral hazard problems.
- B) failure of financial intermediaries due to adverse selection problems.
- C) movement of savers and borrowers from banks to financial markets.
- D) removal of government regulations of financial intermediaries.

Answer: <https://biology-forums.com/index.php?topic=1819612>

Question 1370

In the 1790s, Treasury Secretary Alexander Hamilton made a series of decisions that helped the United States develop a modern financial system.

These decisions included

- A) the Continental Congress being forced to stop payments on its bonds.
- B) the federal government taking responsibility for paying off bonds issued by the Continental Congress and state governments.
- C) the request that state governments stop payments on its bonds.
- D) the new federal government's agreement to default of bonds held by Europeans.

Answer: <https://biology-forums.com/index.php?topic=1819129>

Question 1371

Which of the following would cause the nominal exchange rate to depreciate?

- A) The real exchange rate appreciates.
- B) The domestic inflation rate increases.
- C) The foreign inflation rate increases.
- D) The government budget deficit increases.

Answer: <https://biology-forums.com/index.php?topic=1819062>

Question 1372

Economists define money as

- A) cash in circulation.
- B) deposits in commercial banks.
- C) anything that people are willing to accept in payment for goods and services or to pay off debts.
- D) bonds issued by large corporations.

Answer: <https://biology-forums.com/index.php?topic=1818204>

Question 1373

The members of Federal Reserve district bank boards of directors appointed by the Board of Governors are known as

- A) Class A directors.
- B) Class B directors.
- C) Class C directors.
- D) Class D directors.

Answer: <https://biology-forums.com/index.php?topic=1819646>

Question 1374

Securitization refers to

- A) changing the mix in a financial portfolio away from stocks and toward bonds.
- B) selling directly to investors loans or securities that were formerly held by financial intermediaries.
- C) banks insisting that collateral be supplied on previously unsecured loans.
- D) reducing the exposure of a bank's portfolio to interest rate risk.

Answer: <https://biology-forums.com/index.php?topic=1819382>

Question 1375

How did securitization and the bursting of the housing bubble contribute to the Financial Crisis of 2007-2009?

Answer: <https://biology-forums.com/index.php?topic=1818250>

Question 1376

What is the most direct method the Fed uses to change the monetary base?

- A) open market operations
- B) changing the required reserve ratio
- C) changing the federal funds rate
- D) changing the level of discount loans

Answer: <https://biology-forums.com/index.php?topic=1819754>

Question 1377

What was the approximate peak amount of borrowing from the Fed during the Financial Crisis of 2007-2009?

- A) \$2 billion
- B) \$100 billion
- C) \$270 billion
- D) \$1 trillion

Answer: <https://biology-forums.com/index.php?topic=1819939>

Question 1378

Which of the following statements about the Depository Institutions Deregulation and Monetary Control Act of 1980 is NOT correct?

- A) It required all banks to maintain reserve deposits with the Fed.
- B) It gave member and nonmember banks equivalent access to discount loans.
- C) It halted the decline in Fed membership.
- D) It eliminated restrictions on interstate banking for member banks.

Answer: <https://biology-forums.com/index.php?topic=1819655>

Question 1379

If the Fed sells foreign assets, the monetary base will

- A) fall by the amount of the sale, only if the Fed buys domestic bank deposits with the proceeds.
- B) fall by the amount of the sale, only if the Fed buys domestic currency with the proceeds.
- C) fall by the amount of the sale, whether the Fed buys domestic bank deposits or domestic currency with the proceeds.
- D) rise by the amount of the sale.

Answer: <https://biology-forums.com/index.php?topic=1820005>

Question 1380

"Nonbank" financial institutions include all of the following EXCEPT

- A) investment banks.
- B) hedge funds.
- C) the Federal Reserve.
- D) mutual funds.

Answer: <https://biology-forums.com/index.php?topic=1819505>

Question 1381

The double taxation of dividends typically refers to

- A) dividends being taxed first as corporate profits and then as income after being paid to stock holders.
- B) stockholders paying both income and social security taxes on dividends.
- C) stockholders paying an income tax and dividend surtax on dividends.
- D) dividends being taxed at both the state and local level.

Answer: <https://biology-forums.com/index.php?topic=1818772>

Question 1382

The law of one price does NOT hold for

- A) agricultural goods.
- B) tradeable goods.
- C) differentiated goods.
- D) goods whose production causes pollution.

Answer: <https://biology-forums.com/index.php?topic=1819049>

Question 1383

A borrower and a lender agree on a mortgage interest rate. If inflation turns out to be less than expected

- A) the actual real interest rate will exceed the expected real interest rate.
- B) the actual real interest rate will be less than the expected real interest rate.
- C) the actual nominal interest rate will be higher than expected.
- D) the actual nominal interest rate will be less than expected.

Answer: <https://biology-forums.com/index.php?topic=1818477>

Question 1384

The free-rider problem faced by private information-collection firms results in their

- A) usually going out of business within a few years.
- B) collecting less than all the available information about the firms they investigate.
- C) being plagued by lawsuits.
- D) charging fees higher than can be justified by market conditions.

Answer: <https://biology-forums.com/index.php?topic=1819184>

Question 1385

In late 2008 and early 2009, many feared that the economy may experience deflation. Make use of a graph of the bond market to show how this affected interest rates.

Answer: <https://biology-forums.com/index.php?topic=1818582>

Question 1386

The facts show that the political business cycle theory

- A) does a good job of explaining monetary policy during presidential election years.
- B) is unable to explain monetary policy during presidential election years.
- C) does not generally hold true in the United States.
- D) explains monetary policy best during years in which the president is running for reelection.

Answer: <https://biology-forums.com/index.php?topic=1819704>

Question 1387

When bank loan officers screen loan applicants to eliminate potentially bad risks, they are attempting to mitigate the problem of

- A) adverse selection.
- B) moral hazard.

C) interest rate risk.

D) illiquidity.

Answer: <https://biology-forums.com/index.php?topic=1819342>

Question 1388

Venture capital firms attempt to overcome the principal-agent problem by

A) investing only in industries with high profit rates.

B) charging high interest rates on loans.

C) holding large equity stakes in the firms they invest in.

D) avoiding investing in common stock.

Answer: <https://biology-forums.com/index.php?topic=1819207>

Question 1389

If the three-month Treasury bill has an interest rate of 0.2%, the ten-year Treasury bond has an interest rate of 2.75%, and a ten-year bond issued by Time Warner has an interest rate of 6%, what is the risk premium on Time Warner's bond?

Answer: <https://biology-forums.com/index.php?topic=1818679>

Question 1390

In a call options contract, the

A) seller has the obligation to deliver the instrument at a specified time.

B) buyer has the obligation to receive the instrument at a specified time.

C) seller may choose whether or not to deliver the instrument at a specified time.

D) buyer will choose to exercise his option only if the value of the underlying security falls.

Answer: <https://biology-forums.com/index.php?topic=1818956>

Question 1391

A central bank may be reluctant to see its currency appreciate because

A) rising prices of imports will contribute to inflation.

B) falling prices of exports will contribute to inflation.

C) the country's goods may become uncompetitive in world markets.

D) the country's monetary base will increase.

Answer: <https://biology-forums.com/index.php?topic=1820025>

Question 1392

In the early post-war years, the Fed was reluctant to continue its wartime agreement with the Treasury because it believed the result would be

A) recession.

B) inflation.

C) higher taxes.

D) lower taxes.

Answer: <https://biology-forums.com/index.php?topic=1819693>

Question 1393

Suppose Matt's New Cars issues and sells a one-year discount bond for \$9,259 and repays \$10,000 at maturity. The interest rate on this bond would be

A) 2.6%.

B) 7.41%.

C) 8%.

D) 10%.

Answer: <https://biology-forums.com/index.php?topic=1818420>

Question 1394

A checkable deposit that pays no interest is known as a

A) demand deposit.

B) certificate of deposit.

C) NOW account.

D) time deposit.

Answer: <https://biology-forums.com/index.php?topic=1819261>

Question 1395

To conduct open market operations, the FOMC issues a directive to

- A) the Open Market Desk at the Federal Reserve Bank of New York.
- B) the Board of Governors in Washington, D.C.
- C) the presidents of the district banks.
- D) the chairman of the New York Stock Exchange.

Answer: <https://biology-forums.com/index.php?topic=1819666>

Question 1396

When a company whose ability to repay its obligations in full is uncertain

- A) it will have to issue debt with longer maturities than would a company with a lower probability of default.
- B) its bonds will sell for higher prices than would the bonds of a company with a lower probability of default.
- C) it must offer investors higher yields to compensate them for the risk they take in buying their bonds or making loans.
- D) it must do so through financial markets rather than through financial intermediaries.

Answer: <https://biology-forums.com/index.php?topic=1818631>

Question 1397

How can stock prices affect spending by businesses and households?

Answer: <https://biology-forums.com/index.php?topic=1818758>

Question 1398

In the context of the evaluation of the efficient markets hypothesis, pricing anomalies refer to

- A) the existence of trading strategies that appear to have offered above-normal returns.
- B) the gap between actual and expected prices.
- C) the spread between the price at which a broker will purchase stock from an investor and the price at which the broker will sell stock to an investor.
- D) the difficulty in practice of computing stock prices on the basis of expectations of future dividends.

Answer: <https://biology-forums.com/index.php?topic=1818830>

Question 1399

In quantity theory terms, during a hyperinflation

- A) money supply increases rapidly, but velocity does not.
- B) velocity increases rapidly, but money supply does not.
- C) both the money supply and velocity increase rapidly.
- D) neither the money supply nor velocity increase rapidly.

Answer: <https://biology-forums.com/index.php?topic=1818363>

Question 1400

The Federal Reserve issues a report indicating that future inflation will be higher than had previously seemed likely. As a result

- A) the supply curve for bonds shifts to the right.
- B) the demand curve for loanable funds shifts to the left.
- C) the equilibrium interest rate falls.
- D) the equilibrium price of bonds rises.

Answer: <https://biology-forums.com/index.php?topic=1818563>

Question 1401

During 2000, the government repurchased \$30 billion in U.S. Treasury bonds outstanding. This was the first time this had been done since the administration of Herbert Hoover in the early 1930s. Analyze the impact of this repurchase on the bond market.

Answer: <https://biology-forums.com/index.php?topic=1818581>

Question 1402

When economists refer to the role of money as a unit of account, they mean that

- A) most accounting systems reflect that goods are purchased with currency.
- B) most accounting systems reflect that goods are purchased with checks.
- C) money gives traders a way of measuring value in the economy.
- D) money makes it possible for specialization to take place.

Answer: <https://biology-forums.com/index.php?topic=1818278>

Question 1403

What are the limitations to the Fed's independence?

Answer: <https://biology-forums.com/index.php?topic=1819719>

Question 1404

Which of the following is a checkable deposit?

- A) a NOW account
- B) a money market deposit account
- C) a certificate of deposit
- D) a savings account

Answer: <https://biology-forums.com/index.php?topic=1819262>

Question 1405

On a coupon bond, the yield to maturity

- A) always equals the coupon rate.
- B) equates the present value of all the bond's payments to its price today.
- C) increases when the market price of the bond increases.
- D) equals the coupon payment divided by the current price of the bond.

Answer: <https://biology-forums.com/index.php?topic=1818427>

Question 1406

A Japanese television sells for ¥100,000 and a dollar is equal to ¥100. What is the dollar price of the television?

- A) \$1,000
- B) \$99,900
- C) \$10,000,000
- D) \$100,100

Answer: <https://biology-forums.com/index.php?topic=1819007>

Question 1407

Suppose First National Bank has \$200 million of assets and \$20 million of equity capital. If First National has a 2% return on assets (ROA), what is its return on equity (ROE)? Suppose First National's equity capital declines to \$10 million, while its assets and ROA are unchanged. What is First National's ROE now?

Answer: <https://biology-forums.com/index.php?topic=1819336>

Question 1408

Which of the following is NOT true of restrictive covenants?

- A) They sometimes require borrowers to maintain the value of collateral offered to the lender.
- B) They increase the marketability and liquidity of loans.
- C) They sometimes require a borrower to maintain a certain minimum level of net worth.
- D) They sometimes limit a borrower's risk taking.

Answer: <https://biology-forums.com/index.php?topic=1819203>

Question 1409

Which of the following statements is correct?

- A) Federal Reserve district banks are owned by the government.
- B) Member banks receive no return on the stock they own in Federal district banks.
- C) Federal Reserve district banks pay dividends on their earnings to member banks.
- D) The boards of directors of the district banks are all local bankers.

Answer: <https://biology-forums.com/index.php?topic=1819642>

Question 1410

Because securitized loans are loans that have been bundled with other loans and sold to investors, they are

- A) financial assets but not financial securities.
- B) financial securities but not financial assets.
- C) both financial assets and financial securities.
- D) neither financial assets nor financial securities.

Answer: <https://biology-forums.com/index.php?topic=1818228>

Question 1411

From April 2000 to June 2016, the price of Apple stock has

- A) consistently increased.
- B) consistently decreased.

C) varied considerably, but has risen considerably overall.
D) varied considerably, but has remained relatively unchanged overall.
Answer: <https://biology-forums.com/index.php?topic=1818738>

Question 1412

Sally Jones lost her job at a steel company because of a permanent decline in the demand for steel. Sally Jones is considered by economists to be
A) naturally unemployed.
B) cyclically unemployed.
C) structurally unemployed.
D) frictionally unemployed.
Answer: <https://biology-forums.com/index.php?topic=1819849>

Question 1413

Which of the following statements accurately describes the Fed's control of discount policy?
A) It controls discount policy more completely than it controls open market operations.
B) It must abide by discount rates set by Congress.
C) It controls discount policy less completely than it controls open market operations.
D) It controls discount policy completely, just as it controls open market operations.
Answer: <https://biology-forums.com/index.php?topic=1819931>

Question 1414

Which of the following is NOT a reason for the weak recovery following the 2007-2009 recession?
A) Recessions started by financial crises are almost always severe.
B) The decline in the automobile industry appeared to be structural.
C) The collapse of the housing market was long lived.
D) The recession was caused by a decline in short-run aggregate supply.
Answer: <https://biology-forums.com/index.php?topic=1820199>

Question 1415

National banks are chartered by the
A) Office of the Comptroller of the Currency.
B) Office of Bank Supervision.
C) Securities and Exchange Commission.
D) Office of Management and the Budget.
Answer: <https://biology-forums.com/index.php?topic=1819384>

Question 1416

If prices increase rapidly
A) money's usefulness as a store of value is diminished.
B) money increases in value.
C) deflation is likely.
D) prices will decline to their normal level.
Answer: <https://biology-forums.com/index.php?topic=1818288>

Question 1417

Which of the following involves payment of part of the face value or principal prior to maturity?
A) fixed-payment loan
B) coupon bond
C) discount bond
D) simple loan
Answer: <https://biology-forums.com/index.php?topic=1818413>

Question 1418

How are financial intermediaries able to reduce transactions costs?
Answer: <https://biology-forums.com/index.php?topic=1819222>

Question 1419

What is the price of a coupon bond that has annual coupon payments of \$75, a par value of \$1,000, a yield to maturity of 5%, and a maturity of two years?

- A) \$1,043.08
- B) \$1,046.49
- C) \$1,000.00
- D) \$1,150.00

Answer: <https://biology-forums.com/index.php?topic=1818429>

Question 1420

Which of the following is a term for the total value of a firm's outstanding shares?

- A) market value
- B) intrinsic value
- C) fair value
- D) fairness value

Answer: <https://biology-forums.com/index.php?topic=1819432>

Question 1421

The existence of counterparty risk

- A) has no effect on the contracting parties.
- B) is disallowed under current government regulations.
- C) results in information costs for buyers and sellers when analyzing the potential creditworthiness of potential trading partners.
- D) reduces the risk introduced by forward contracts.

Answer: <https://biology-forums.com/index.php?topic=1818878>

Question 1422

The money multiplier

- A) equals 1 over the required reserve ratio.
- B) is an expression that converts the monetary base to the money supply.
- C) is larger than the simple deposit multiplier.
- D) is completely controlled by the Fed.

Answer: <https://biology-forums.com/index.php?topic=1819811>

Question 1423

What is the primary reason for the differences between the U.S. banking system and those in other major industrial countries?

- A) Economies of scale are greater in banking in the United States than in banking in other countries.
- B) legislation that led to the development of state and national banks
- C) the Federal Reserve System
- D) the National Bank

Answer: <https://biology-forums.com/index.php?topic=1819379>

Question 1424

Forward contracts are often illiquid because

- A) any capital gains on them are heavily taxed, making investors reluctant to sell them.
- B) government regulation has not provided for a secondary market in them.
- C) they generally contain terms specific to the particular buyer and seller.
- D) the brokerage fees involved in buying and selling them are very high.

Answer: <https://biology-forums.com/index.php?topic=1818877>

Question 1425

Suppose you had \$1,000 and were deciding between two investments. One pays 5% a year for two years while the other pays 8% the first year and 2% the second year. Which investment would provide a higher return?

Answer: <https://biology-forums.com/index.php?topic=1818387>

Question 1426

Which of the following is NOT considered one of the four groups in the Federal Reserve System?

- A) Federal Reserve banks
- B) Federal Deposit Insurance Corporation
- C) Board of Governors
- D) Federal Open Market Committee

Answer: <https://biology-forums.com/index.php?topic=1819631>

Question 1427

As large investment banks converted from partnerships to corporations, the separation of ownership from control had the potential to lead to

- A) a moral hazard problem resulting in a principal-agent problem.
- B) an adverse selection problem resulting in a principal-agent problem.
- C) a reduction in moral hazard due to the elimination of the principal-agent problem.
- D) a reduction in adverse selection due to the elimination of the principal-agent problem.

Answer: <https://biology-forums.com/index.php?topic=1819426>

Question 1428

Which of the following statements about the natural rate of unemployment is correct?

- A) Currently, most economists think that the natural rate is about 5%.
- B) Currently, most economists believe the natural rate is zero.
- C) When unemployment is at its natural rate, then only frictional unemployment remains.
- D) When unemployment is at its natural rate, then only structural unemployment remains.

Answer: <https://biology-forums.com/index.php?topic=1819847>

Question 1429

Which of the following is a hybrid of a checking and savings account?

- A) CD
- B) negotiable CD
- C) passbook account
- D) money market deposit account

Answer: <https://biology-forums.com/index.php?topic=1819300>

Question 1430

What is the principal source of change in productivity growth?

Answer: <https://biology-forums.com/index.php?topic=1820170>

Question 1431

When talking about forward contracts, the date on which the contracted delivery must take place is called the

- A) settlement date.
- B) counterparty date.
- C) forward date.
- D) spot date.

Answer: <https://biology-forums.com/index.php?topic=1818881>

Question 1432

Small investors face

- A) high transactions costs in financial markets.
- B) low transactions costs in financial markets.
- C) high transactions costs in financial intermediaries.
- D) high information costs in financial intermediaries.

Answer: <https://biology-forums.com/index.php?topic=1819142>

Question 1433

Vault cash is a(an)

- A) liability of the Fed and is counted as reserves.
- B) asset of the Fed and is counted as reserves.
- C) liability of the Fed and is not counted as reserves.
- D) asset of the Fed and is not counted as reserves.

Answer: <https://biology-forums.com/index.php?topic=1819742>

Question 1434

According to the theory of purchasing power parity, whenever a country's price level is expected to fall relative to another country's price level

- A) its currency's real exchange rate relative to the other country's currency should rise.
- B) its currency should depreciate relative to the other country's currency.
- C) its currency should appreciate relative to the other country's currency.
- D) its nominal interest rate should rise relative to the other country's nominal interest rate.

Answer: <https://biology-forums.com/index.php?topic=1819046>

Question 1435

The exchange rate between the U.S. dollar and other currencies is dependent in the short run on all of the following EXCEPT

- A) the level of interest rates in the United States relative to foreign interest rates.
- B) the foreign demand for U.S. produced goods.
- C) the law of one price.
- D) the desirability of U.S. financial securities.

Answer: <https://biology-forums.com/index.php?topic=1819071>

Question 1436

A nation with an official settlements balance of \$50 billion is likely to experience a

- A) balance of payments surplus and accumulate \$50 billion in international reserves.
- B) balance of payments deficit and accumulate \$50 billion in international reserves.
- C) balance of payments surplus and a decline of \$50 billion in international reserves.
- D) balance of payments deficit and a decline of \$50 billion in international reserves.

Answer: <https://biology-forums.com/index.php?topic=1820056>

Question 1437

Which of the following is NOT a responsibility of the Board of Governors?

- A) approving bank mergers
- B) determining permissible activities for bank holding companies
- C) carrying out open market operations
- D) setting the salaries of the presidents and officers of district banks

Answer: <https://biology-forums.com/index.php?topic=1819661>

Question 1438

Economists believe that as a saver's wealth increases, the saver will generally

- A) increase his or her holdings of all assets proportionately.
- B) increase the fraction of wealth held as cash.
- C) increase the fraction of wealth held as common stock.
- D) decrease the fraction of wealth held as corporate bonds.

Answer: <https://biology-forums.com/index.php?topic=1818485>

Question 1439

Currently, the price of gold is

- A) fixed by the United States.
- B) adjusted periodically by the IMF.
- C) adjusted periodically by the World Bank.
- D) determined in the market by demand and supply.

Answer: <https://biology-forums.com/index.php?topic=1820077>

Question 1440

Many economists believe

- A) the Fed could have reduced the severity of the Great Depression by raising interest rates.
- B) the Fed could have reduced the severity of the Great Depression by encouraging banks to make fewer loans to insolvent businesses.
- C) bank failures increased the severity of the Great Depression.
- D) the severity of the Great Depression and the policies of the Fed were unrelated.

Answer: <https://biology-forums.com/index.php?topic=1819563>

Question 1441

When nominal interest rates rise on financial assets such as U.S. Treasury bills, the amount of interest that households and firms

- A) gain by holding money increases.
- B) lose by holding money decreases.
- C) lose by holding money increases.
- D) lose or gain by holding money does not change.

Answer: <https://biology-forums.com/index.php?topic=1818585>

Question 1442

Which of the following is NOT included in aggregate demand?

- A) demand for goods and services for consumption
- B) investment in business plant and equipment
- C) net exports
- D) investment in Treasury bonds

Answer: <https://biology-forums.com/index.php?topic=1820107>

Question 1443

A lender who is worried that its cost of funds might rise during the term of a loan it has made can hedge against this rise without eliminating the chance to profit from a decline in the cost of funds by

- A) buying futures contracts on Treasury bills.
- B) selling futures contracts on Treasury bills.
- C) buying put options on Treasury bills.
- D) buying call options on Treasury bills.

Answer: <https://biology-forums.com/index.php?topic=1818970>

Question 1444

Community banks often charge _____ interest rates on business loans than do large banks, and the interest rates charged by community banks are usually _____ than the interest rates on credit cards.

- A) higher; higher
- B) higher; lower
- C) lower; higher
- D) lower; lower

Answer: <https://biology-forums.com/index.php?topic=1819400>

Question 1445

An important problem facing the Fed is that

- A) the goals for economic growth and price stability may conflict in the short run.
- B) it lost effective control over the monetary base.
- C) it has been given responsibility for meeting policy goals, but true control over monetary policy remains with Congress.
- D) it has been given responsibility for meeting policy goals, but true control over monetary policy remains with the president.

Answer: <https://biology-forums.com/index.php?topic=1819953>

Question 1446

A rise in the real interest rate will cause which of the components of aggregate demand to decline?

- A) only C
- B) only C and I
- C) only C, I, and NX
- D) C, I, G, and NX

Answer: <https://biology-forums.com/index.php?topic=1820111>

Question 1447

If the Fed purchases securities worth \$10 million from a commercial bank, the banking system's balance sheet will show

- A) an increase in securities held of \$10 million and an increase in bank reserves of \$10 million.
- B) an increase in securities held of \$10 million and a decrease in bank reserves of \$10 million.
- C) a decrease in securities held of \$10 million and an increase in bank reserves of \$10 million.
- D) a decrease in securities held of \$10 million and a decrease in bank reserves of \$10 million.

Answer: <https://biology-forums.com/index.php?topic=1819757>

Question 1448

Momentum investing can be described as

- A) consistent with the efficient markets hypothesis.
- B) similar to mean reversion.
- C) follow the picks of investors who have been successful in the past.
- D) the trend is your friend.

Answer: <https://biology-forums.com/index.php?topic=1818836>

Question 1449

In May 2016, what was the total value of U.S. currency in circulation?

- A) \$2.4 billion

- B) \$1,375 billion
- C) \$1,866 billion
- D) \$16 trillion

Answer: <https://biology-forums.com/index.php?topic=1818339>

Question 1450

As of May 2016, the amount of money as measured by M2 was about

- A) \$880 billion.
- B) \$3.2 trillion.
- C) \$12.7 trillion.
- D) \$16 trillion.

Answer: <https://biology-forums.com/index.php?topic=1818331>

Question 1451

Make use of a graph of the foreign exchange market to show how the Central Bank of Mexico can use an unsterilized intervention to increase the value of its currency, the peso, in terms of the dollar.

Answer: <https://biology-forums.com/index.php?topic=1820039>

Question 1452

For someone who invested in gold bars or coins in the late 1970s, when including storage and insurance fees the real return on investment in 2016 would have been

- A) 500%.
- B) 125%.
- C) 0%.
- D) -30%.

Answer: <https://biology-forums.com/index.php?topic=1819822>

Question 1453

The rate of return is equal to the

- A) sum of the coupon rate and the current yield.
- B) yield to maturity.
- C) sum of the current yield and the actual rate of capital gain or loss.
- D) sum of the current yield and the expected rate of capital gain.

Answer: <https://biology-forums.com/index.php?topic=1818456>

Question 1454

From the point of view of the efficient markets hypothesis

- A) it is not surprising that during 2003 the price of JDS Uniphase's stock rose more than the price of Microsoft's stock.
- B) it is surprising that during 2003 the price of JDS Uniphase's stock rose more than the price of Microsoft's stock.
- C) it is not surprising that during 2003 the price of Microsoft's stock rose more than the price of JDS Uniphase's stock.
- D) it is surprising that during 2003 the price of Microsoft's stock rose more than the price of JDS Uniphase's stock.

Answer: <https://biology-forums.com/index.php?topic=1818827>

Question 1455

A person takes out a car loan at a bank, but actually uses the money to play the lottery. This situation is an example of which problem banks face in lending?

- A) adverse selection
- B) moral hazard
- C) interest rate risk
- D) illiquidity

Answer: <https://biology-forums.com/index.php?topic=1819341>

Question 1456

Which of the following is fixed on a coupon bond?

- A) coupon rate
- B) current yield
- C) market price
- D) yield to maturity

Answer: <https://biology-forums.com/index.php?topic=1818412>

Question 1457

What regulatory change did Congress approve in 2010 to reduce counterparty risk in the shadow banking system?

- A) push more trading of derivatives onto exchanges
- B) required investment banks to follow the same rules on leverage as commercial banks
- C) required increased collateral for those trading derivatives
- D) banned trading of mortgage-backed securities

Answer: <https://biology-forums.com/index.php?topic=1819498>

Question 1458

If a large open economy, like the United States, reduces its budget deficit, what impact would this have on a small open economy?

- A) higher savings
- B) increased investment
- C) increased net savings
- D) no change in interest rates

Answer: <https://biology-forums.com/index.php?topic=1818621>

Question 1459

Wealth is

- A) the sum of the value of assets.
- B) equal to income.
- C) a flow variable.
- D) the sum of the value of assets minus the sum of the value of liabilities.

Answer: <https://biology-forums.com/index.php?topic=1818282>

Question 1460

How does an investment bank use the results of its research?

Answer: <https://biology-forums.com/index.php?topic=1819442>

Question 1461

What is the name of the pension plan under which employees can make tax-deductible contributions through regular payroll deductions?

- A) 401(k) plan
- B) Social Security plan
- C) early retirement plan
- D) 486(b) plan

Answer: <https://biology-forums.com/index.php?topic=1819487>

Question 1462

Bonds receiving one of the top four ratings are considered

- A) junk.
- B) speculative.
- C) AAA.
- D) investment grade.

Answer: <https://biology-forums.com/index.php?topic=1818669>

Question 1463

Which of the following financial assets has both the highest risk and highest return for the period of 1926-2015?

- A) small company stocks
- B) large company stocks
- C) corporate bonds
- D) Treasury bills

Answer: <https://biology-forums.com/index.php?topic=1818497>

Question 1464

The economist known for his early empirical work supporting the efficient markets hypothesis is

- A) Milton Friedman.
- B) John Muth.
- C) Eugene Fama.
- D) Glenn Hubbard.

Answer: <https://biology-forums.com/index.php?topic=1818831>

Question 1465

The expected real interest rate approximately equals

- A) the nominal interest rate minus the tax rate.
- B) the nominal interest rate minus the expected rate of inflation.
- C) the nominal interest rate plus the expected rate of inflation.
- D) the yield to maturity on a coupon bond held to maturity.

Answer: <https://biology-forums.com/index.php?topic=1818471>

Question 1466

An increase in the corporate profits tax is likely to cause

- A) the equilibrium interest rate to rise and the equilibrium price of bonds to fall.
- B) the equilibrium interest rate to fall and the equilibrium price of bonds to rise.
- C) the equilibrium interest rate and the equilibrium price of bonds to both rise.
- D) the equilibrium interest rate and the equilibrium price of bonds to both fall.

Answer: <https://biology-forums.com/index.php?topic=1818543>

Question 1467

According to the efficient markets hypothesis

- A) the equilibrium price of an asset equals the optimal forecast of fundamental value based on available information.
- B) the actual and expected prices of an asset will be equal.
- C) the actual price of an asset reflects only information on past returns on the asset.
- D) the expected price of an asset incorporates only information on past returns on the asset.

Answer: <https://biology-forums.com/index.php?topic=1818800>

Question 1468

Which of the following interest rates tends to fluctuate the most?

- A) interest rate on corporate bonds
- B) interest rate on 10-year Treasury bonds
- C) mortgage interest rate
- D) federal funds rate

Answer: <https://biology-forums.com/index.php?topic=1819880>

Question 1469

What services are finance companies able to offer consumers and businesses that banks do NOT offer?

Answer: <https://biology-forums.com/index.php?topic=1819470>

Question 1470

Warren Buffet argued that _____ contributed significantly to the financial crisis.

- A) all derivatives
- B) only derivatives that are exchange traded
- C) some derivatives that are not exchange traded
- D) virtually no derivatives

Answer: <https://biology-forums.com/index.php?topic=1819001>

Question 1471

The key concept in the new classical approach to the aggregate supply curve is

- A) the impact of imperfect information on business decisions.
- B) the impact of changes in the price level on real money balances.
- C) the inverse relationship between the real interest rate and desired investment spending.
- D) the crowding out of investment spending by government spending.

Answer: <https://biology-forums.com/index.php?topic=1820137>

Question 1472

Make use of the quantity theory of money to solve the following problem. If the Fed has an inflation target of 2% and the velocity of money is constant, by how much should it increase the money supply each year if economic growth is expected to average 3%?

Answer: <https://biology-forums.com/index.php?topic=1818367>

Question 1473

All else being equal, an increase in the desirable characteristics of U.S. financial securities causes the demand for dollars to _____ and the dollar will _____ relative to foreign currencies.

- A) increase; appreciate
- B) increase; depreciate
- C) decrease; appreciate
- D) decrease; depreciate

Answer: <https://biology-forums.com/index.php?topic=1819075>

Question 1474

The "troika" that helped Greece avoid defaulting on its debt included all of the following EXCEPT the

- A) IMF.
- B) European Central Bank.
- C) World Bank.
- D) European Commission.

Answer: <https://biology-forums.com/index.php?topic=1820093>

Question 1475

If traders in a market have rational expectations, then

- A) the price of an asset equals its fundamental value.
- B) prices of riskier assets are higher than prices of less risky assets.
- C) past prices of assets do not affect market participants' expectations of future asset prices.
- D) they make use of less information than they would if they had adaptive expectations.

Answer: <https://biology-forums.com/index.php?topic=1818791>

Question 1476

Higher expected inflation _____ the supply of bonds and _____ the demand for bonds.

- A) increases; increases
- B) increases; reduces
- C) reduces; increases
- D) reduces; reduces

Answer: <https://biology-forums.com/index.php?topic=1818578>

Question 1477

A financial contract in which a bank agrees to sell the expected future returns from an underlying bank loan to a third party is referred to as

- A) loan sale.
- B) loan commitment.
- C) credit rationing.
- D) microlending.

Answer: <https://biology-forums.com/index.php?topic=1819404>

Question 1478

Which of the following statements about the supply of dollars in the foreign exchange market is TRUE?

- A) It is equal to the money supply.
- B) It represents the demand for U.S. goods and financial assets by firms and households outside the United States.
- C) It represents the supply of U.S. goods and financial assets by firms and households within the United States.
- D) It is determined by the willingness of households and firms that own dollars to exchange them for foreign currency.

Answer: <https://biology-forums.com/index.php?topic=1819092>

Question 1479

What are the roles of Federal Reserve district banks?

Answer: <https://biology-forums.com/index.php?topic=1819687>

Question 1480

An options contract

- A) confers the rights to buy or sell an underlying asset at a predetermined price by a predetermined time.
- B) is another name for a futures contract.
- C) may be written for debt instruments, but not for equities.

D) may be written for equities, but not for debt instruments.

Answer: <https://biology-forums.com/index.php?topic=1818953>

Question 1481

One reaction of firms to the adverse selection problem is to

- A) rely on internal funds to finance investment.
- B) use the stock market rather than the bond market to raise funds.
- C) use the bond market rather than the stock market to raise funds.
- D) borrow long-term rather than short-term.

Answer: <https://biology-forums.com/index.php?topic=1819175>

Question 1482

Which of the following statements regarding futures is TRUE?

- A) Trading futures contracts on agricultural and mineral commodities makes up a majority of all trading.
- B) Trading in financial futures involves more transactions than trading in commodity futures.
- C) Futures trading is allowed only for financial assets.
- D) Futures trading is allowed only for commodities.

Answer: <https://biology-forums.com/index.php?topic=1818894>

Question 1483

According to the efficient markets hypothesis

- A) common stock prices should be constant.
- B) the price of a corporation's stock is likely to fluctuate substantially in response to news about changes in the company's short-term prospects.
- C) the price of a corporation's stock will fluctuate significantly only in response to news about changes in the company's long-term prospects.
- D) price fluctuations in common stock are a response to fads and are only infrequently the result of changes in the expected profitability of the companies involved.

Answer: <https://biology-forums.com/index.php?topic=1818803>

Question 1484

The additional interest that investors require to buy a long-term bond instead of a sequence of short-term bonds is known as the

- A) risk premium.
- B) default premium.
- C) term premium.
- D) segmented premium.

Answer: <https://biology-forums.com/index.php?topic=1818722>

Question 1485

What are the primary arguments for and against the independence of the Fed?

Answer: <https://biology-forums.com/index.php?topic=1819720>

Question 1486

One benefit of a swap compared to futures and options is that they

- A) promote liquidity.
- B) reduce the risk for both the buyer and seller.
- C) can be better tailored to meet the needs of market participants.
- D) can involve financial instruments and not just commodities.

Answer: <https://biology-forums.com/index.php?topic=1818987>

Question 1487

By 2016, the fraction of the population working

- A) was at its highest level since the 1970s.
- B) was lower than its lowest level during the recession of 2007-2009.
- C) had not yet recovered to pre-recession levels.
- D) had not changed at all since the recession.

Answer: <https://biology-forums.com/index.php?topic=1820203>

Question 1488

Which of the following is a contractual saving institution?

- A) The New York Stock Exchange

- B) Greater Illinois Savings and Loan
- C) Prudential Insurance Company
- D) Fidelity Magellan Mutual Fund

Answer: <https://biology-forums.com/index.php?topic=1819474>

Question 1489

The rate of return of a stock held for one year equals

- A) the change in the price of the stock.
- B) the dividend yield plus the rate of capital gain.
- C) the rate of capital gain minus the dividend yield.
- D) the dividend yield minus the rate of capital gain.

Answer: <https://biology-forums.com/index.php?topic=1818761>

Question 1490

As a result of the financial crisis of 2007-2009, the size of the shadow banking system

- A) became smaller than the commercial banking system.
- B) became larger than the commercial banking system.
- C) declined, but remained larger than the commercial banking system.
- D) increased, but remained smaller than the commercial banking system.

Answer: <https://biology-forums.com/index.php?topic=1819504>

Question 1491

The purchasing power of money

- A) rises when prices fall.
- B) rises when prices rise.
- C) is set by the Fed in January of each year.
- D) is constant.

Answer: <https://biology-forums.com/index.php?topic=1818351>

Question 1492

In comparing actively managed mutual funds with those funds that simply buy and hold a large market portfolio (index funds), we would expect that

- A) the actively managed funds provide a higher return than the index funds.
- B) the index funds provide a higher return after expenses than the actively managed funds.
- C) actively managed funds and index funds provide the same returns.
- D) index funds provide a lower return than actively managed funds only if taxes are taken into consideration.

Answer: <https://biology-forums.com/index.php?topic=1818810>

Question 1493

If market participants have rational expectations

- A) they can assume the stock prices they observe represent the fundamental values of those stocks.
- B) they know to purchase stocks that are priced below their fundamental value.
- C) they will achieve higher returns than those with adaptive expectations.
- D) they can earn above-average returns on their investments.

Answer: <https://biology-forums.com/index.php?topic=1818820>

Question 1494

Describe the three types of unemployment?

Answer: <https://biology-forums.com/index.php?topic=1819862>

Question 1495

Assets denominated in foreign currency and used in international transactions are referred to as

- A) foreign money.
- B) international reserves.
- C) international monetary base.
- D) foreign exchange.

Answer: <https://biology-forums.com/index.php?topic=1820013>

Question 1496

During the Great Depression, unemployment peaked at

- A) 10%.
- B) between 15 and 20%.
- C) over 20%.
- D) 81%.

Answer: <https://biology-forums.com/index.php?topic=1819561>

Question 1497

Banks use credit rationing rather than simply raising the interest rate charged to borrowers with higher default risks because

- A) of fear of adverse selection problems.
- B) of interest rate ceilings in many states.
- C) of fear of offending the loan applicants.
- D) use of credit rationing is encouraged by the Federal Reserve.

Answer: <https://biology-forums.com/index.php?topic=1819346>

Question 1498

Funds flow from lenders to borrowers

- A) indirectly through financial markets.
- B) directly through financial intermediaries.
- C) indirectly through financial intermediaries.
- D) primarily through government agencies.

Answer: <https://biology-forums.com/index.php?topic=1818196>

Question 1499

Suppose there's an 80% chance of a stock rising by 20% and a 20% chance of it falling by 40%. Which type of investor would prefer an investment with a guaranteed return of 5%?

- A) risk loving investor
- B) risk neutral investor
- C) risk averse investor
- D) Risk is not relevant in this example.

Answer: <https://biology-forums.com/index.php?topic=1818495>

Question 1500

Suppose you are risk averse and you are deciding between two investments. One has a guaranteed return of 5% while the second has a 50% chance of a 10% return and a 50% chance of a 0% return. Which investment would you choose? Why?

Answer: <https://biology-forums.com/index.php?topic=1818512>

Question 1501

Assess the impact on the bond market of the rise in Internet trading of stocks.

Answer: <https://biology-forums.com/index.php?topic=1818559>

Question 1502

Differences in price levels

- A) explain well actual exchange rate movements.
- B) are not capable of explaining well actual exchange rate movements, particularly in the short run.
- C) have been small for most countries in the post-World War II period.
- D) only can be explained by the fact that little foreign trade actually takes place.

Answer: <https://biology-forums.com/index.php?topic=1819050>

Question 1503

The interest rate on unsecured loans between banks is called the

- A) discount rate.
- B) repurchase rate.
- C) T-bill rate.
- D) federal funds rate.

Answer: <https://biology-forums.com/index.php?topic=1819277>

Question 1504

Some economists have predicted that recent developments in energy production in the United States are estimated to result in all of the following EXCEPT

- A) millions of new jobs.
- B) the United States having the lowest energy costs of any country in the industrialized world.
- C) a substantial increase in GDP over time.
- D) significant increases in pollution.

Answer: <https://biology-forums.com/index.php?topic=1820160>

Question 1505

The gold standard probably made the Great Depression more severe in the United States because

- A) the value of gold declined sharply during those years.
- B) the existence of the gold standard kept prices from falling.
- C) the money supply in the United States increased rapidly as gold flowed into the country.
- D) the Fed attempted to reduce gold outflows by raising the discount rate.

Answer: <https://biology-forums.com/index.php?topic=1820061>

Question 1506

Economic studies have shown that countries that have high inflation rates have lower rates of economic growth than do countries with low inflation rates. Explain what underlies this relationship between inflation and economic growth.

Answer: <https://biology-forums.com/index.php?topic=1818307>

Question 1507

The Dodd-Frank Act removed which group from decisions regarding the presidents of Federal Reserve Banks?

- A) Class A directors
- B) Class B directors
- C) Class C directors
- D) Board of Governors

Answer: <https://biology-forums.com/index.php?topic=1819674>

Question 1508

A one-year bond has an interest rate of 3% and is expected to fall to 2.5% next year and 2% in two years. The term premium for a two-year bond is 0.3% and for a three-year bond is 0.5%. What are the interest rates on a two-year bond and three-year bond according to the liquidity premium theory?

Answer: <https://biology-forums.com/index.php?topic=1818734>

Question 1509

Securitization is the process of

- A) issuing stocks to finance capital spending.
- B) issuing bonds to finance purchases of equipment and structures.
- C) reducing risk by decreasing corporate debt loads.
- D) converting loans into securities.

Answer: <https://biology-forums.com/index.php?topic=1818192>

Question 1510

The members of Federal Reserve district bank boards of directors who are bankers are known as

- A) Class A directors.
- B) Class B directors.
- C) Class C directors.
- D) Class D directors.

Answer: <https://biology-forums.com/index.php?topic=1819643>

Question 1511

Crowdfunding can best be described as

- A) raising funds in a very large market.
- B) raising small amounts of money from large numbers of people.
- C) many firms competing for the same source of funds.
- D) making funds available for a large number of business start ups.

Answer: <https://biology-forums.com/index.php?topic=1819213>

Question 1512

Which country was least supportive of expansionary policy by the European Central Bank during the Financial Crisis of 2007-2009?

- A) Spain
- B) Portugal
- C) Greece
- D) Germany

Answer: <https://biology-forums.com/index.php?topic=1819731>

Question 1513

How are interest payments on mortgages distributed to investors who own mortgage-backed securities?

Answer: <https://biology-forums.com/index.php?topic=1818232>

Question 1514

In the balance-of-payments accounts, the statistical discrepancy

- A) equals the capital account balance minus the current account balance.
- B) equals the current account balance minus the capital account balance.
- C) probably reflects hidden capital flows.
- D) must equal zero.

Answer: <https://biology-forums.com/index.php?topic=1820052>

Question 1515

The seller of a futures contract

- A) assumes the long position.
- B) has the obligation to deliver the underlying financial instrument at the specified date.
- C) has the obligation to receive the underlying financial instrument at the specified future date.
- D) may, at his or her option, deliver or receive the underlying financial instrument at the specified date.

Answer: <https://biology-forums.com/index.php?topic=1818898>

Question 1516

Using statistical models to estimate the maximum losses a portfolio's value is likely to sustain over a particular time period is called

- A) gap analysis.
- B) duration analysis.
- C) value-at-risk approach.
- D) credit-risk analysis.

Answer: <https://biology-forums.com/index.php?topic=1819403>

Question 1517

The use of deductibles and coinsurance are examples of attempts by insurance companies to deal with the problem of

- A) moral hazard.
- B) adverse selection.
- C) failure of policyholders to keep paying their premiums.
- D) excessive government regulation.

Answer: <https://biology-forums.com/index.php?topic=1819479>

Question 1518

Which of the following is NOT an implication of the theory of purchasing power parity?

- A) Exchange rates move to equalize the purchasing power of different currencies.
- B) Exchange rates should be at a level that makes it possible to buy the same amount of goods and services with the equivalent amount of any country's currency in the long run.
- C) A country with a higher inflation rate should experience an appreciation of its currency.
- D) The real exchange rate should equal one.

Answer: <https://biology-forums.com/index.php?topic=1819054>

Question 1519

Most economists believe that a zero rate of unemployment

- A) is obtainable with the correct monetary policy.
- B) would result in a better functioning economy.
- C) is inconsistent with a well-functioning economy.
- D) is obtainable only if the inflation rate is also zero.

Answer: <https://biology-forums.com/index.php?topic=1819844>

Question 1520

Which of the following assets is the most liquid?

- A) money market mutual fund
- B) computer
- C) washing machine
- D) U.S. Treasury bond

Answer: <https://biology-forums.com/index.php?topic=1818189>

Question 1521

If the economy experiences simultaneous negative aggregate demand and aggregate supply shocks, and the Fed decides to intervene with expansionary policy. Aggregate demand will eventually shift back to the right, which will eventually bring the economy

- A) back to potential GDP at a lower price level.
- B) back to potential GDP at a higher price level.
- C) back to the original equilibrium price at a lower level of aggregate output.
- D) back to the original equilibrium price at a higher level of aggregate output.

Answer: <https://biology-forums.com/index.php?topic=1820208>

Question 1522

What percentage of all commercial banks in the United States belong to the Federal Reserve System?

- A) 5%
- B) 34%
- C) 75%
- D) 90%

Answer: <https://biology-forums.com/index.php?topic=1819652>

Question 1523

Which of the following represents the equation that would be used to determine the yield to maturity of a three-year fixed payment loan of \$1,400 which has payments of \$500 per year?

- A) $\$1,400 = \$500/(1 + i) + \$500/(1 + i)^2 + \$500/(1 + i)^3$
- B) $\$1,400 = \$500/(1 + i)^3$
- C) $i = (1,400 - 500)/1,400$
- D) $\$1,400 = \$500/(1 + i) + \$500/(1 + i)^2 + \$500/(1 + i)^3 + 1,400/(1 + i)^3$

Answer: <https://biology-forums.com/index.php?topic=1818434>

Question 1524

The person on the other side of a transaction is referred to as the

- A) derivator.
- B) counterparty.
- C) hedger.
- D) speculator.

Answer: <https://biology-forums.com/index.php?topic=1818882>

Question 1525

What is the rate of return on a bond with a coupon of \$38 payable in one year that was purchased for \$950 and sold one year later for \$931?

- A) 2%
- B) 4%
- C) 6%
- D) 19%

Answer: <https://biology-forums.com/index.php?topic=1818464>

Question 1526

The primary motive for financial innovation during the regulatory process is

- A) profit.
- B) adherence to the new regulations.
- C) return to the way business was conducted prior to the new regulations.
- D) increase coordination with other financial institutions.

Answer: <https://biology-forums.com/index.php?topic=1819600>

Question 1527

During World War II

- A) the Board of Governors was temporarily disbanded.
- B) the Fed was not allowed to make discount loans.
- C) the Fed agreed to hold interest rates on short-term Treasury securities at low levels.
- D) the Fed agreed not to buy Treasury securities.

Answer: <https://biology-forums.com/index.php?topic=1819692>

Question 1528

Which of the following statements is correct?

- A) The discount rate is generally above the federal funds rate.
- B) The discount rate is generally below the federal funds rate.
- C) The discount rate is generally equal to the federal funds rate.
- D) There is no general pattern to the relation between the discount rate and the federal funds rate.

Answer: <https://biology-forums.com/index.php?topic=1819927>

Question 1529

The January effect

- A) largely disappeared after receiving attention in the 1980s.
- B) refers to the gap between futures prices and the prices of the underlying securities that occurs each January.
- C) was stronger during the 1980s than during previous decades.
- D) is the observation that stocks tend to be sold off in January.

Answer: <https://biology-forums.com/index.php?topic=1818834>

Question 1530

From 1978 to 2016, the percentage of wealth held by households decreased for all of the following categories of assets EXCEPT

- A) corporate stocks.
- B) bonds.
- C) deposits.
- D) equity in unincorporated businesses.

Answer: <https://biology-forums.com/index.php?topic=1818185>

Question 1531

In order to increase its target for the federal funds rate, the Fed would normally

- A) conduct open market sales.
- B) conduct open market purchases.
- C) increase the discount rate.
- D) increase reserve requirements.

Answer: <https://biology-forums.com/index.php?topic=1819876>

Question 1532

Credit rationing refers to

- A) the increase in the interest rate that occurs when the demand for credit increases.
- B) the increase in the interest rate that occurs when the supply of credit increases.
- C) the increase in the interest rate that occurs when the supply of credit decreases.
- D) a restriction in the availability of credit.

Answer: <https://biology-forums.com/index.php?topic=1819174>

Question 1533

What do many economists see finance companies as having an advantage in?

- A) purchasing commercial paper
- B) selling long-term securities
- C) monitoring the value of collateral
- D) charging consumers particularly low interest rates

Answer: <https://biology-forums.com/index.php?topic=1819461>

Question 1534

Why must the spot price equal the futures price on the settlement date?

Answer: <https://biology-forums.com/index.php?topic=1818950>

Question 1535

What is the yield on a discount basis for a U.S. Treasury bill that has a face value of \$10,000, has a price of \$9,500, and will mature in 180 days?

- A) 5.00%
- B) 5.25%
- C) 10.00%
- D) 10.67%

Answer: <https://biology-forums.com/index.php?topic=1818448>

Question 1536

The promise that was to hold the Bretton Woods system together was the agreement that

- A) no industrial country would allow high rates of inflation.
- B) foreign central banks would be able to convert U.S. dollars into gold at a fixed price.
- C) no country would raise tariffs on the products of other countries.
- D) all countries would be willing to redeem their paper currencies for gold.

Answer: <https://biology-forums.com/index.php?topic=1820065>

Question 1537

The yield to maturity is equal to

- A) the interest rate at which the present value of an asset's returns is equal to its price today.
- B) the face value or par value of a coupon bond.
- C) any payments received from an asset at the date the asset matures.
- D) interest rate on the asset minus any taxes owed on the interest received.

Answer: <https://biology-forums.com/index.php?topic=1818421>

Question 1538

Banks make use of the federal funds market in part to

- A) pay their tax liabilities.
- B) manage liquidity risk.
- C) deal with moral hazard.
- D) deal with adverse selection.

Answer: <https://biology-forums.com/index.php?topic=1819338>

Question 1539

All of the following took place during the German hyperinflation in the 1920s EXCEPT

- A) banks reduced lending.
- B) some banks only made loans to customers who agreed to repay in terms of foreign currencies or commodities.
- C) Deutsche Bank had to lay off many workers due to lack of business.
- D) households and firms increased their demand for loans.

Answer: <https://biology-forums.com/index.php?topic=1818361>

Question 1540

An autonomous expenditure is one that does NOT depend on

- A) government policy.
- B) the automobile sector.
- C) interest rates.
- D) GDP.

Answer: <https://biology-forums.com/index.php?topic=1820237>

Question 1541

A one-year discount bond with a face value of \$1,000 that is currently selling for \$900 has an interest rate of

- A) 5.26%.
- B) 10%.
- C) 11.1%.
- D) 100%.

Answer: <https://biology-forums.com/index.php?topic=1818520>

Question 1542

The national economic forecast for the next two years prepared by the staff of the Board of Governors is published in the

- A) Green Book.
- B) Beige Book.
- C) Blue Book.
- D) Fed Book.

Answer: <https://biology-forums.com/index.php?topic=1819663>

Question 1543

If, while you are holding a coupon bond, its market price falls, you can be sure that

- A) the coupon payment you are receiving must have been reduced.
- B) the interest rate on other similar bonds must have fallen.
- C) the interest rate on other similar bonds must have risen.
- D) the par value of the bond must have declined.

Answer: <https://biology-forums.com/index.php?topic=1818446>

Question 1544

What does research suggest as to the relationship between the independence of the central bank and inflation? What is the rationale for this relationship?

Answer: <https://biology-forums.com/index.php?topic=1818371>

Question 1545

According to the Taylor rule, what should the federal funds rate target be if inflation is 5%, the target rate of inflation is 2%, the equilibrium real federal funds rate is 2%, full-employment real GDP is \$9 trillion, and current real GDP is \$8.55 trillion?

Answer: <https://biology-forums.com/index.php?topic=1819989>

Question 1546

Using a good as a medium of exchange confers the benefit that

- A) the need to quote so many prices in trade is reduced.
- B) the need for a double coincidence of wants is greatly increased.
- C) the need for specialization is reduced.
- D) transactions costs are increased, but they now may be paid in money terms.

Answer: <https://biology-forums.com/index.php?topic=1818269>

Question 1547

The law of one price states that

- A) most countries require that all entering goods have the same price.
- B) most countries require that all exported goods have the same price.
- C) identical goods should have the same price anywhere in the world.
- D) most countries require that the price of a good not be changed once it is already in a store and available for sale.

Answer: <https://biology-forums.com/index.php?topic=1819039>

Question 1548

Which of the following is the most likely explanation of Japan's very low market interest rates in the early 2000s?

- A) expected deflation
- B) an increasing budget deficit
- C) an increasing trade surplus
- D) an increase in corporate profits

Answer: <https://biology-forums.com/index.php?topic=1818562>

Question 1549

Other things equal, an increase in the tax on dividends is likely to result in all of the following EXCEPT

- A) higher expected return on bonds relative to stocks.
- B) increased demand for bonds.
- C) lower interest rates.
- D) higher interest rates.

Answer: <https://biology-forums.com/index.php?topic=1818556>

Question 1550

What does it mean for an investment bank to conduct a "road show"?

- A) It involves an investment bank marketing its services to firms considering new issues.
- B) It is when an investment bank goes to the SEC to seek approval for a new issue.
- C) It is when firms seeking an underwriter consider alternative investment banks.
- D) It involves visits to institutional investors who might want to buy the security issue.

Answer: <https://biology-forums.com/index.php?topic=1819412>

Question 1551

Interest and capital gains are taxed differently in the United States in that

- A) interest is exempt from state and local taxes.
- B) interest is taxed as ordinary income, but capital gains are taxed only when realized.
- C) interest is taxed as ordinary income, but capital gains are taxed as accrued.
- D) capital gains when realized are exempt from state and local taxes.

Answer: <https://biology-forums.com/index.php?topic=1818663>

Question 1552

Make use of the quantity equation to answer the following problem. If the Fed increases the money supply by 4%, velocity increases by 1%, and economic growth is 3%, by how much will the price level increase?

Answer: <https://biology-forums.com/index.php?topic=1818368>

Question 1553

In a barter system individuals

- A) find it impossible to specialize.
- B) must be entirely self-sufficient.
- C) find it difficult to specialize, but may be able to do so.
- D) will almost invariably specialize.

Answer: <https://biology-forums.com/index.php?topic=1818259>

Question 1554

Banks require collateral for loans in order to

- A) ensure that borrowers have significant amounts of their own funds invested in their businesses.
- B) charge higher interest rates on loans.
- C) reduce their tax liability on the interest they collect on loans.
- D) reduce the total amount they are obliged to lend to any one borrower.

Answer: <https://biology-forums.com/index.php?topic=1819209>

Question 1555

According to the aggregate demand-aggregate supply model, what is the short-run impact of a reduction in the money supply by the Fed?

- A) Current output will fall, but the price level will rise.
- B) Current output will rise, but the price level will fall.
- C) Current output and the price level will both rise.
- D) Current output and the price level will both fall.

Answer: <https://biology-forums.com/index.php?topic=1820179>

Question 1556

Nominal exchange rates differ from real exchange rates in that nominal exchange rates

- A) do not correct for differing interest rates across countries.
- B) do not measure the purchasing power of the currency.
- C) are fixed, while real exchange rates are flexible.
- D) are flexible, while real exchange rates are fixed.

Answer: <https://biology-forums.com/index.php?topic=1819015>

Question 1557

The Fed was created

- A) after financial panics in the late 1800s and early 1900s.
- B) after the stock market crash of 1929.
- C) to help finance government expenditures during World War II.
- D) to help channel funds to the residential mortgage market.

Answer: <https://biology-forums.com/index.php?topic=1819853>

Question 1558

Which of the following is a possible impact of a global savings glut on a small open economy?

- A) interest rate would increase
- B) interest rate would decrease
- C) domestic savings would increase
- D) domestic investment would increase

Answer: <https://biology-forums.com/index.php?topic=1818620>

Question 1559

What determines the acceptability of dollar bills as a medium of exchange?

- A) our society's willingness to use green paper notes issued by the Federal Reserve as money
- B) the willingness of the Federal Reserve to redeem dollar bills for gold
- C) the willingness of the U.S. Treasury to redeem dollar bills for gold
- D) the public's fear that failing to accept dollar bills will trigger a hyperinflation

Answer: <https://biology-forums.com/index.php?topic=1818292>

Question 1560

Why do investors hedge using futures contracts?

- A) they are seeking to increase liquidity
- B) they are willing to pay for a reduction in risk
- C) in order to provide a counterparty to speculators
- D) they are more flexible than forward contracts

Answer: <https://biology-forums.com/index.php?topic=1818942>

Question 1561

Which of the following accurately describes the tax treatment of municipal bonds?

- A) All income from municipal bonds is tax free.
- B) Interest is tax free, but unrealized capital gains are taxable.
- C) Interest is tax free, but realized capital gains are taxable.
- D) Interest is taxable, but capital gains are tax free.

Answer: <https://biology-forums.com/index.php?topic=1818673>

Question 1562

If expected inflation declines by 2%, what should happen to nominal interest rates according to the Fisher effect?

- A) rise by 2%
- B) fall by 2%
- C) be cut in half
- D) double in size

Answer: <https://biology-forums.com/index.php?topic=1818569>

Question 1563

If the Fed buys \$2 billion of short-term securities issued by the government of Japan and pays for them by writing a check for \$2 billion

- A) its assets will rise by \$2 billion and its liabilities will fall by \$2 billion.
- B) its assets will fall by \$2 billion and its liabilities will rise by \$2 billion.
- C) its assets and liabilities will both fall by \$2 billion.
- D) its assets and liabilities will both rise by \$2 billion.

Answer: <https://biology-forums.com/index.php?topic=1820001>

Question 1564

According to the Gordon growth model, what will be the percentage change in the value of a stock of a company whose current dividend is \$10.00 and whose dividends had been expected to grow by 3% but now are expected to grow by 4% per year?

- A) 4.0%
- B) 17.8%
- C) 25.0%
- D) 33.3%

Answer: <https://biology-forums.com/index.php?topic=1818771>

Question 1565

A bank panic occurs when

- A) a bank is worried that its loans will not be repaid.
- B) an individual bank cannot meet its reserve requirements.
- C) a bank lacks sufficient funds with which to make loans.
- D) many banks experience a bank run simultaneously.

Answer: <https://biology-forums.com/index.php?topic=1819515>

Question 1566

The greatest appeal of U.S. Treasury securities is that

- A) they have high yields.
- B) they have no default risk.
- C) the U.S. Treasury will repurchase them at any time.
- D) their market prices fluctuate very little.

Answer: <https://biology-forums.com/index.php?topic=1818650>

Question 1567

Which of the following is NOT a step involved in using checks?

- A) The recipient must present the check to the bank.
- B) The bank must present the check to the checkwriter's bank.
- C) The funds must be transferred from the checkwriter's bank to the recipient's bank.
- D) The funds must be transferred from the recipient's bank to the checkwriter's bank.

Answer: <https://biology-forums.com/index.php?topic=1818316>

Question 1568

Refer to Table 5.1 On this day, what did investors expect the interest rate to be on the one-year Treasury bill in two years if the term premium on a two-year Treasury note is 0.25%?

- A) 1.875%
- B) 2.25%
- C) 2.375%
- D) 2.5%

Answer: <https://biology-forums.com/index.php?topic=1818728>

Question 1569

Unless otherwise indicated, when economists or investors refer to the interest rate on a financial asset, they are referring to the

- A) current yield.
- B) coupon rate.
- C) yield to maturity.
- D) prime rate.

Answer: <https://biology-forums.com/index.php?topic=1818433>

Question 1570

A consequence of the impact lag is that the Fed

- A) may not know the impact of a change in policy.
- B) might not be able to correct a mistaken policy soon enough.
- C) may not have current information about the state of the economy.
- D) may see the impact of a change in policy on inflation, but not economic growth.

Answer: <https://biology-forums.com/index.php?topic=1819958>

Question 1571

What are two ways that governments can prevent bank panics?

Answer: <https://biology-forums.com/index.php?topic=1819546>

Question 1572

Financial markets

- A) channel funds indirectly between borrowers and lenders.
- B) channel funds directly from lenders to borrowers.
- C) act as go-betweens by holding a portfolio of assets and issuing claims based on that portfolio to savers.
- D) generally provide lenders with lower returns than do financial intermediaries.

Answer: <https://biology-forums.com/index.php?topic=1818194>

Question 1573

Moral hazard problems arise when

- A) lenders have difficulty in distinguishing between good and lemon firms.
- B) a downturn in economic activity makes repaying loans difficult for borrowers.
- C) borrowers default on loans.
- D) borrowers have an incentive to conceal information.

Answer: <https://biology-forums.com/index.php?topic=1819191>

Question 1574

Briefly explain the process of multiple deposit creation.

Answer: <https://biology-forums.com/index.php?topic=1819804>

Question 1575

Which of the following groups is an investment bank NOT likely to visit during a "road show"?

- A) institutional investors
- B) individual investors
- C) university endowments
- D) mutual funds

Answer: <https://biology-forums.com/index.php?topic=1819431>

Question 1576

Which of the following is NOT a company that collects information on individual borrowers and sells it to savers?

- A) Moody's Investor Service
- B) Value Line
- C) NASDAQ
- D) Dun and Bradstreet

Answer: <https://biology-forums.com/index.php?topic=1819182>

Question 1577

Using forward transactions allows

- A) holders of common stock to lock in future dividend payments.
- B) the federal government to stabilize fluctuations in tax receipts.
- C) corporations to reduce problems arising from future fluctuations in their dividend payments.
- D) both buyers and sellers to reduce risks associated with price fluctuations.

Answer: <https://biology-forums.com/index.php?topic=1818871>

Question 1578

What are the primary reasons for and against a policy of "too big to fail."

Answer: <https://biology-forums.com/index.php?topic=1819617>

Question 1579

If major traders believe the price of a stock should be higher than its current market price

- A) they have an incentive to sell the stock.
- B) their actions will result in the information they possess being incorporated into the price of the stock.
- C) there is little they can do because government regulation precludes their acting on what they know.
- D) they should petition the Securities and Exchange Commission to authorize an adjustment in the price of the stock.

Answer: <https://biology-forums.com/index.php?topic=1818797>

Question 1580

Lenders prefer to lend to firms with high net worth because

- A) such firms are usually willing to pay higher interest rates.
- B) the owners of such firms have more to lose if the firm defaults on a loan.
- C) the government requires most bank loans to be made to such firms.
- D) such firms usually are unable to raise funds directly through financial markets.

Answer: <https://biology-forums.com/index.php?topic=1819186>

Question 1581

A chief criticism of adaptive expectations is that

- A) it assumes people ignore information that would be useful in making forecasts.
- B) people have a hard time adapting.
- C) it doesn't rely on technical analysis.
- D) it violates the efficient markets hypothesis.

Answer: <https://biology-forums.com/index.php?topic=1818819>

Question 1582

How many prices would there be in a barter economy with 100 goods?

- A) 100
- B) 1,000
- C) 4,950
- D) 10,000

Answer: <https://biology-forums.com/index.php?topic=1818262>

Question 1583

By the end of 2009, loan losses were _____ at the end of 2007.

- A) equal to those
- B) two times less than
- C) four times greater than
- D) twenty-five times greater than

Answer: <https://biology-forums.com/index.php?topic=1818219>

Question 1584

Technical analysis is a version of

- A) insider trading.
- B) adaptive expectations.
- C) rational expectations.
- D) efficient markets.

Answer: <https://biology-forums.com/index.php?topic=1818818>

Question 1585

The Dow-Jones Industrial Average is the best-known measure of the performance of the U.S. stock market, and is an average of the stock prices of

- A) the 500 largest corporations in the United States.
- B) 30 large corporations.
- C) over 3,200 high-tech stocks.
- D) all major banking and financial companies.

Answer: <https://biology-forums.com/index.php?topic=1818739>

Question 1586

Suppose Ireland is a small open economy that is neither a net international borrower or international lender. Many countries increase their savings resulting in a lower world real interest rate. Make use of a graph of the loanable funds market for a small open economy to show the impact this has on Ireland's international financial position.

Answer: <https://biology-forums.com/index.php?topic=1818625>

Question 1587

Who are the members of the Financial Stability Oversight Council?

Answer: <https://biology-forums.com/index.php?topic=1819683>

Question 1588

What was the approximate value of the U.S. current account balance in 2015?

- A) \$79 billion
- B) \$10 billion
- C) -\$380 billion
- D) -\$463 billion

Answer: <https://biology-forums.com/index.php?topic=1820045>

Question 1589

Blood tests administered to applicants for medical insurance are an example of an attempt by insurance companies to deal with the problem of

- A) moral hazard.

- B) the drug abuse problems currently plaguing the country.
- C) adverse selection.
- D) failure of policyholders to keep paying their premiums.

Answer: <https://biology-forums.com/index.php?topic=1819477>

Question 1590

Until very recently, investment banks rarely engaged in which of the following?

- A) proprietary trading
- B) securitization
- C) lending to households
- D) underwriting

Answer: <https://biology-forums.com/index.php?topic=1818224>

Question 1591

Which of the following statements is correct?

- A) The Fed has difficulty covering its normal expenses, but is reluctant to ask Congress for money.
- B) The Fed is dependent on the annual appropriations it receives from Congress.
- C) The Fed's profits are substantial, even when compared to the largest U.S. corporations.
- D) At one time the Fed made substantial profits, but falling interest rates have greatly reduced them.

Answer: <https://biology-forums.com/index.php?topic=1819699>

Question 1592

The demand curve for bonds would be shifted to the left by an

- A) increase in wealth.
- B) increase in expected returns on bonds.
- C) increase in expected inflation.
- D) increase in the liquidity of bonds relative to other assets.

Answer: <https://biology-forums.com/index.php?topic=1818537>

Question 1593

Currently, the FDIC insures deposits up to a limit of

- A) \$1,000.
- B) \$100,000.
- C) \$250,000.
- D) \$1,000,000.

Answer: <https://biology-forums.com/index.php?topic=1819393>

Question 1594

Suppose a bond has a coupon of \$40, face value of \$1,000, and current price of \$950. What is the coupon rate? What is its current yield? Report a percentage with two decimal places.

Answer: <https://biology-forums.com/index.php?topic=1818418>

Question 1595

Why do governments want to maintain the health of the banking system?

Answer: <https://biology-forums.com/index.php?topic=1819545>

Question 1596

Speculators in derivatives markets

- A) reduce the efficiency of these markets.
- B) are acting contrary to U.S. securities laws.
- C) accept risk transferred to them by hedgers.
- D) reduce the liquidity of these markets.

Answer: <https://biology-forums.com/index.php?topic=1818866>

Question 1597

How does the interest paid on reserves set a floor for the federal funds rate?

Answer: <https://biology-forums.com/index.php?topic=1819889>

Question 1598

Generally

- A) countries with the most independent central banks have the lowest inflation rates.
- B) countries with the least independent central banks have the lowest inflation rates.
- C) countries without central banks have the lowest inflation rates.
- D) the degree of independence of a country's central banks has little to do with its inflation rate.

Answer: <https://biology-forums.com/index.php?topic=1819728>

Question 1599

Which of the following concerns were raised as a result of record low interest rates in 2016?

- A) high perceived risk of default
- B) high interest rate risk
- C) corporations facing a lack of demand for bonds
- D) high risk premiums on investment-grade corporate bonds

Answer: <https://biology-forums.com/index.php?topic=1819251>

Question 1600

What other markets were affected by the decline in the housing market beginning in 2006? Briefly explain why.

Answer: <https://biology-forums.com/index.php?topic=1819595>

Question 1601

The main role of financial intermediaries is to

- A) provide funds to the federal government to cover the budget deficit.
- B) borrow funds from savers and lend them to borrowers.
- C) provide advice to consumers on how they should handle their finances.
- D) help ensure that there is enough money in circulation.

Answer: <https://biology-forums.com/index.php?topic=1818199>

Question 1602

Options traded on exchanges are known as

- A) listed options.
- B) exchange traded options.
- C) call options.
- D) put options.

Answer: <https://biology-forums.com/index.php?topic=1818976>

Question 1603

The funds for loans from peer-to-peer lenders come from three key sources. Which of the following is NOT one of those key sources?

- A) individuals
- B) government
- C) financial firms
- D) other businesses

Answer: <https://biology-forums.com/index.php?topic=1818220>

Question 1604

Which of the following officially ended the cooperation between the Treasury and the Fed that had taken place during World War II?

- A) Truman Doctrine
- B) Federal Reserve Act of 1951
- C) Dodd-Frank Act
- D) Treasury-Federal Reserve Accord

Answer: <https://biology-forums.com/index.php?topic=1819713>

Question 1605

Why do CDs have lower rates of return than stocks?

- A) CDs are much riskier investments than stocks.
- B) CDs are less risky than stocks.
- C) CDs are not taxed while stocks' returns are taxable.
- D) CDs are not as liquid as stocks.

Answer: <https://biology-forums.com/index.php?topic=1818489>

Question 1606

Suppose you purchase a bond with a coupon of \$50 for \$1,010. You sell it one year later for \$900. What rate of return did you earn? Report a percentage with two decimal places.

Answer: <https://biology-forums.com/index.php?topic=1818470>

Question 1607

Make use of a T-account to show the effect of the Fed's sale of \$500 million worth of foreign government securities on the Fed's balance sheet. (assume the Fed receives a check from the sale of securities).

Answer: <https://biology-forums.com/index.php?topic=1820019>

Question 1608

As of 2016, what portion of bank assets were owned by the five largest bank holding companies?

- A) less than 10%
- B) approximately 25%
- C) more than 50%
- D) almost 80%

Answer: <https://biology-forums.com/index.php?topic=1819602>

Question 1609

If the account manager does NOT use a Federal Reserve reverse repurchase agreement or a matched sale-purchase transaction in carrying out open market operations, he will use

- A) an outright purchase or sale.
- B) a limited-duration purchase or sale.
- C) an indirect purchase or sale.
- D) a reverse duration purchase or sale.

Answer: <https://biology-forums.com/index.php?topic=1819910>

Question 1610

If the Fed sterilizes the purchase of foreign assets

- A) the monetary base is left unchanged.
- B) the monetary base rises by the amount of the purchase.
- C) the monetary base falls by the amount of the purchase.
- D) the monetary base may rise, fall, or remain unchanged depending on the reaction of domestic interest rates to the purchase.

Answer: <https://biology-forums.com/index.php?topic=1820009>

Question 1611

Which of the following is TRUE of the segmented markets theory?

- A) It assumes that borrowers have particular periods for which they want to borrow.
- B) It assumes that lenders always lend for short periods.
- C) It provides a good explanation for why yield curves usually slope upward.
- D) It assumes that instruments with different maturities are perfect substitutes.

Answer: <https://biology-forums.com/index.php?topic=1818689>

Question 1612

Under the expectations theory, if market participants expect that future short-term rates will be higher than current short-term rates, the yield curve will

- A) slope upward.
- B) slope downward.
- C) be flat.
- D) slope upward, slope downward, or be flat, depending on risk, liquidity, cost of information, and tax considerations.

Answer: <https://biology-forums.com/index.php?topic=1818702>

Question 1613

During a banking panic, a lender of last resort will

- A) purchase banks which are having difficulty but appear sound.
- B) make loans to solvent but temporality illiquid banks.
- C) make loans to insolvent but liquid banks.
- D) make loans to any banks which request them.

Answer: <https://biology-forums.com/index.php?topic=1819391>

Question 1614

With respect to Lehman Brothers, Fed chair Ben Bernanke argued that

- A) because Lehman Brothers was insolvent, the Federal Reserve Act barred the Fed from saving the company.
- B) even though Lehman Brothers was not considered insolvent, the Federal Reserve Act barred the Fed from saving the company.
- C) because Lehman Brothers was not considered insolvent, the Federal Reserve Act required the Fed to save the company from bankruptcy.
- D) because Lehman Brothers was insolvent, the Federal Reserve Act required the Fed to save the company from bankruptcy.

Answer: <https://biology-forums.com/index.php?topic=1819605>

Question 1615

Dynamic open market operations

- A) are aimed at achieving changes in monetary policy.
- B) are used much more frequently than defensive open market transactions.
- C) are used to offset disturbances to the monetary base.
- D) make it easy to deduce the Fed's intentions for monetary policy.

Answer: <https://biology-forums.com/index.php?topic=1819914>

Question 1616

The fundamental value of a stock equals

- A) the future value of all future dividends.
- B) the present value of all future dividends.
- C) the present value of current and future dividends.
- D) the present value of all future capital gains.

Answer: <https://biology-forums.com/index.php?topic=1818762>

Question 1617

Which of the following will NOT shift the short-run aggregate supply function?

- A) changes in labor costs
- B) changes in the costs of nonlabor inputs
- C) changes in the price level
- D) changes in the expected price level

Answer: <https://biology-forums.com/index.php?topic=1820155>

Question 1618

Which of the following is NOT a way in which power was divided up in the Federal Reserve System?

- A) between bankers and business interests
- B) among states and regions
- C) between importers and exporters
- D) between government and the private sector

Answer: <https://biology-forums.com/index.php?topic=1819630>

Question 1619

What made the recession of 2007-2009 different than any other recession since the Great Depression?

- A) The government did not implement a fiscal stimulus.
- B) The Fed failed to reduce interest rates.
- C) It was accompanied by a financial crisis.
- D) The impact was primarily limited to the financial sector.

Answer: <https://biology-forums.com/index.php?topic=1818235>

Question 1620

If bond investors think they lack enough details to evaluate the likelihood of defaults on certain bonds, this will result in higher

- A) expected return.
- B) liquidity.
- C) information costs.
- D) expected inflation.

Answer: <https://biology-forums.com/index.php?topic=1818557>

Question 1621

Which of the following is NOT a recommended solution proposed for the slow growth of employment during the economic expansion that began in

2009?

- A) expansionary monetary policy
- B) Congress and the president addressing structural problems
- C) the Fed reducing inflation by increasing its target for the federal funds rate
- D) expansion of aggregate demand through fiscal policy

Answer: <https://biology-forums.com/index.php?topic=1820205>

Question 1622

Sovereign debt refers to

- A) debt owned by the government.
- B) bonds issued by the government.
- C) debt owed to the government.
- D) debt only issued by nations with kings or queens.

Answer: <https://biology-forums.com/index.php?topic=1819520>

Question 1623

According to the quantity theory of money, the growth rate of which of the following is zero?

- A) money supply
- B) velocity
- C) real GDP
- D) price level

Answer: <https://biology-forums.com/index.php?topic=1818354>

Question 1624

A call option is said to be "in the money" if

- A) it is written on a Treasury bill or other money-market asset.
- B) it has increased in price since it was first written.
- C) the price of the underlying asset is currently greater than the strike price.
- D) the price of the underlying asset is currently greater than the strike price plus the option premium.

Answer: <https://biology-forums.com/index.php?topic=1818967>

Question 1625

The supply curve for bonds would be shifted to the left by

- A) a decrease in government borrowing.
- B) a decrease in the corporate tax on profits.
- C) an increase in tax subsidies for investment.
- D) an increase in expected inflation.

Answer: <https://biology-forums.com/index.php?topic=1818552>

Question 1626

Productivity growth occurs when

- A) there are more inputs.
- B) firms can produce more output per unit of input.
- C) more output is produced.
- D) employees work extra hours.

Answer: <https://biology-forums.com/index.php?topic=1820161>

Question 1627

A common estimate of individuals who actively trade stocks or derivatives is that

- A) an equal number earn a profit as suffer a loss.
- B) more than 75% either break even or earn a profit.
- C) twice as many suffer losses as earn profits.
- D) less than 5% are able to break even.

Answer: <https://biology-forums.com/index.php?topic=1818888>

Question 1628

Foreign-exchange market interventions will always

- A) lead to a decline in domestic interest rates relative to foreign interest rates.
- B) lead to a rise in domestic interest rates relative to foreign interest rates.
- C) lead to a decline in the domestic money supply.

D) alter a central bank's holdings of international reserves.

Answer: <https://biology-forums.com/index.php?topic=1819995>

Question 1629

Suppose that a bank with no excess reserves receives a deposit into a checking account of \$10,000 in currency. If the required reserve ratio is 0.20, what is the maximum amount that the bank can lend out?

- A) \$2,000
- B) \$8,000
- C) \$10,000
- D) \$50,000

Answer: <https://biology-forums.com/index.php?topic=1819798>

Question 1630

An advantage of a swap over futures and options is that

- A) they can be written for long periods.
- B) they are more liquid.
- C) they carry less default risk.
- D) there is no need to assess the creditworthiness of participants.

Answer: <https://biology-forums.com/index.php?topic=1818991>

Question 1631

An increase in expected inflation results in

- A) lower nominal interest rates and higher bond prices.
- B) lower real interest rates and higher bond prices.
- C) higher real interest rates and lower bond prices.
- D) higher nominal interest rates and lower bond prices.

Answer: <https://biology-forums.com/index.php?topic=1818570>

Question 1632

In a matched sale-purchase transaction, the Fed

- A) buys securities from a dealer and the dealer agrees to buy them back.
- B) sells securities to a dealer and the dealer agrees to sell them back.
- C) buys securities from one dealer and sells the same dollar amount of securities to another dealer.
- D) sells securities to one dealer and buys the same dollar amount of securities from another dealer.

Answer: <https://biology-forums.com/index.php?topic=1819913>

Question 1633

A decrease in money supply will result in a(n) _____ in the quantity of money demanded and cause the nominal interest rate to _____.

- A) decrease; decrease
- B) decrease; increase
- C) increase; decrease
- D) increase; increase

Answer: <https://biology-forums.com/index.php?topic=1818596>

Question 1634

The Federal Reserve System

- A) is in charge of managing the New York Stock Exchange.
- B) is headed by the Secretary of the Treasury.
- C) is the central bank of the United States.
- D) is responsible for conducting fiscal policy for the United States.

Answer: <https://biology-forums.com/index.php?topic=1818205>

Question 1635

Which of the following three goals that make up the policy trilemma can be achieved at the same time in the United States?

- A) exchange rate stability and free capital flows
- B) monetary policy independence and exchange rate stability
- C) free capital flows and monetary policy independence
- D) exchange rate stability, free capital flows, and monetary policy independence

Answer: <https://biology-forums.com/index.php?topic=1820097>

Question 1636

Currently, a three-year Treasury note pays 4.75%. Assuming that your tax rate is 20%, what is the minimum interest rate that you would need to earn on a tax-free municipal bond in order to buy it instead?

- A) 0.95%
- B) 3.8%
- C) 5.7%
- D) 15.25%

Answer: <https://biology-forums.com/index.php?topic=1818630>

Question 1637

Which of the following is NOT a discount bond?

- A) a U.S. savings bond
- B) a U.S. Treasury bill
- C) a U.S. Treasury note
- D) a zero-coupon bond

Answer: <https://biology-forums.com/index.php?topic=1818400>

Question 1638

In the early 1930s

- A) countries that abandoned the gold standard suffered severe inflation.
- B) countries that tried to defend the gold standard suffered more depression than countries that abandoned the gold standard.
- C) the gold standard was abandoned by every major industrial country except England.
- D) the United States was the first major industrial country to abandon the gold standard.

Answer: <https://biology-forums.com/index.php?topic=1820062>

Question 1639

A bond's price and its yield to maturity are inversely related because

- A) discounting future payments at a higher rate reduces the present value of the payments.
- B) discounting future payments at a higher rate increases the present value of the payments.
- C) an increase in the yield to maturity will lower a bond's coupon rate and hence its price.
- D) a fall in a bond's price will lower its par value and hence its yield to maturity.

Answer: <https://biology-forums.com/index.php?topic=1818439>

Question 1640

According to the Gordon growth model, what is the value of a stock with a dividend of \$1, required return on equity of 10% and expected growth rate of dividends of 5%?

- A) \$2
- B) \$10
- C) \$20
- D) \$21

Answer: <https://biology-forums.com/index.php?topic=1818763>

Question 1641

Explain the difference between a credit swap and a credit default swap.

Answer: <https://biology-forums.com/index.php?topic=1819002>

Question 1642

Which of the following is an example of a commodity money?

- A) gold coins
- B) dollar bills
- C) British pound notes
- D) Japanese yen notes

Answer: <https://biology-forums.com/index.php?topic=1818312>

Question 1643

The M2 aggregate

- A) includes M1 plus short-term investment accounts.
- B) includes M1 plus large-denomination time deposits.

- C) equals currency plus checking account deposits at commercial banks.
D) is the best definition of money purely as a medium of exchange.

Answer: <https://biology-forums.com/index.php?topic=1818332>

Question 1644

Which of the following banned most proprietary trading by commercial banks?

- A) Consumer Financial Protection Bureau
B) Regulation Q
C) Greenspan Rule
D) Volcker Rule

Answer: <https://biology-forums.com/index.php?topic=1819608>

Question 1645

All of the following are true regarding securitized loans EXCEPT

- A) they provide risk sharing.
B) they provide information.
C) they provide liquidity.
D) they cannot be resold.

Answer: <https://biology-forums.com/index.php?topic=1818229>

Question 1646

The default risk premium is

- A) relevant only for securities issued by very small companies.
B) the additional yield a saver requires for holding a bond with some default risk.
C) zero for corporate bonds, but quite substantial for corporate stock.
D) constant across the business cycle.

Answer: <https://biology-forums.com/index.php?topic=1818636>

Question 1647

NOW accounts were developed in order to

- A) circumvent Regulation Q.
B) provide banks with a checkable deposit on which they did not have to pay interest.
C) provide banks with a liquid, interest-earning asset.
D) provide banks with a means of earning interest on the funds in their reserve accounts with the Fed.

Answer: <https://biology-forums.com/index.php?topic=1819609>

Question 1648

If the Fed sells securities worth \$10 million to a commercial bank, the Fed's balance sheet will show

- A) an increase in securities held of \$10 million and an increase in bank reserves of \$10 million.
B) an increase in securities held of \$10 million and a decrease in bank reserves of \$10 million.
C) a decrease in securities held of \$10 million and an increase in bank reserves of \$10 million.
D) a decrease in securities held of \$10 million and a decrease in bank reserves of \$10 million.

Answer: <https://biology-forums.com/index.php?topic=1819775>

Question 1649

The investment strategy of borrowing at a low short-term interest rate and using the borrowed funds to invest at a higher long-term interest rate is called

- A) arbitrage.
B) interest carry trade.
C) risk structure.
D) liquidity premium.

Answer: <https://biology-forums.com/index.php?topic=1818725>

Question 1650

If you have a checking account at First National Bank, the account is

- A) an asset to both you and First National.
B) a liability to both you and First National.
C) an asset to First National and a liability to you.
D) an asset to you and a liability to First National.

Answer: <https://biology-forums.com/index.php?topic=1819317>

Question 1651

If you deposit a \$50 check in the bank, the immediate impact on your bank's balance sheet will be a

- A) \$50 increase in reserves and a \$50 increase in checkable deposits.
- B) \$50 decrease in reserves and a \$50 increase in checkable deposits.
- C) \$50 increase in reserves and a \$50 decrease in checkable deposits.
- D) \$50 decrease in liabilities and a \$50 increase in checkable deposits.

Answer: <https://biology-forums.com/index.php?topic=1819318>

Question 1652

In managing its liabilities to deal with liquidity problems, banks trade off

- A) credit risk against interest rate risk.
- B) adverse selection against moral hazard.
- C) the need for available funds to meet deposit outflows against the desire for greater profit.
- D) present tax liabilities against future tax liabilities.

Answer: <https://biology-forums.com/index.php?topic=1819337>

Question 1653

Indirect quotations in terms of foreign currency refers to

- A) expressing exchange rates as units of foreign currency in terms of domestic currency.
- B) expressing exchange rates as units of domestic currency in terms of foreign currency.
- C) expressing exchange rates of less traded currency by using a "major" currency.
- D) expressing exchange rates in terms of commodities such as gold.

Answer: <https://biology-forums.com/index.php?topic=1819024>

Question 1654

The capacity of a firm can best be described as

- A) when a firm is producing maximum output.
- B) a firm's production when operating normal hours using a normal sized workforce.
- C) when a firm makes full use of all the space available in its factory or building.
- D) when all of the firm's workers are producing at their maximum potential.

Answer: <https://biology-forums.com/index.php?topic=1820236>

Question 1655

Financial intermediaries emerged

- A) to make loans to governments.
- B) to provide a market for municipal bonds.
- C) to reduce transactions costs for small savers and borrowers.
- D) to reduce transactions costs for traders in stocks and bonds.

Answer: <https://biology-forums.com/index.php?topic=1819144>

Question 1656

The price at which an option may be exercised is called the

- A) market price.
- B) equilibrium price.
- C) strike price.
- D) fixed price.

Answer: <https://biology-forums.com/index.php?topic=1818958>

Question 1657

If the economy experiences simultaneous negative aggregate demand and aggregate supply shocks, the new equilibrium price level _____ and the new equilibrium level of aggregate output _____.

- A) will be higher; will be lower
- B) will be lower; will be lower
- C) may be higher, lower, or not change; will be lower
- D) will be higher; may be higher, lower, or not change

Answer: <https://biology-forums.com/index.php?topic=1820206>

Question 1658

In what ways does a certificate of deposit (CD) differ from a savings deposit?

Answer: <https://biology-forums.com/index.php?topic=1819309>

Question 1659

Which of the following is NOT a benefit of derivatives?

- A) risk sharing
- B) guaranteed minimum profit
- C) liquidity
- D) information services

Answer: <https://biology-forums.com/index.php?topic=1818859>

Question 1660

Which function of money allows for specialization to take place?

- A) medium of exchange
- B) unit of account
- C) store of value
- D) standard of deferred payment

Answer: <https://biology-forums.com/index.php?topic=1818299>

Question 1661

Which of the following statements is NOT true?

- A) Each Federal Reserve Bank maintains its own discount window.
- B) Before 1980, the Fed rarely made loans to banks which were not members of the Federal Reserve System.
- C) Since 1980, all depository institutions have had access to the discount window.
- D) Each Federal District Bank can charge a different discount rate.

Answer: <https://biology-forums.com/index.php?topic=1819921>

Question 1662

How do car dealers help reduce adverse selection?

Answer: <https://biology-forums.com/index.php?topic=1819233>

Question 1663

Which of the following is NOT an example of adverse selection?

- A) A family with a home ten feet from a large river buys flood insurance.
- B) A company uses the proceeds of a new stock sale to build an unnecessarily luxurious new headquarters.
- C) A terminal cancer patient buys life insurance.
- D) A company in serious financial trouble offers to pay you 30% on a loan.

Answer: <https://biology-forums.com/index.php?topic=1819162>

Question 1664

According to the liquidity premium theory, what does a flat yield curve indicate?

- A) Short-term interest rates are expected to remain stable.
- B) Short-term interest rates are expected to rise.
- C) Short-term interest rates are expected to fall.
- D) Long-term interest rates are expected to fall.

Answer: <https://biology-forums.com/index.php?topic=1818699>

Question 1665

The period over which a call or put option exists is

- A) determined by its delivery date.
- B) determined by its expiration date.
- C) determined by whether the contract is written for a commodity or for a financial instrument.
- D) indeterminate; options contracts continue in existence until either the buyer or the seller desires to discontinue it.

Answer: <https://biology-forums.com/index.php?topic=1818961>

Question 1666

If foreign interest rates rise

- A) the demand for domestic currency rises, causing it to appreciate.
- B) the demand for domestic currency falls, causing it to depreciate.

- C) the demand for domestic currency rises, causing it to depreciate.
D) the demand for domestic currency falls, causing it to appreciate.

Answer: <https://biology-forums.com/index.php?topic=1819091>

Question 1667

Which of the following is NOT an advantage of a futures contract over a forward contract?

- A) reduced counterparty risk
B) increased flexibility
C) lower information cost
D) increased liquidity

Answer: <https://biology-forums.com/index.php?topic=1818906>

Question 1668

When a central bank buys foreign assets

- A) its holdings of foreign assets rise by the amount of the purchase, but the monetary base is unaffected.
B) its holdings of foreign assets and the monetary base rise by the amount of the purchase.
C) its holdings of foreign assets rise by the amount of the purchase, and the monetary base rises by the amount of the purchase times the money multiplier.
D) the monetary base falls by the amount of the purchase.

Answer: <https://biology-forums.com/index.php?topic=1819999>

Question 1669

Rates of inflation in the hundreds or thousands of percent per year are known as

- A) super inflation.
B) megainflation.
C) hyperinflation.
D) overinflation.

Answer: <https://biology-forums.com/index.php?topic=1819841>

Question 1670

What criteria should be used in deciding the best definition of the money supply?

Answer: <https://biology-forums.com/index.php?topic=1818347>

Question 1671

One reason for the controversy surrounding the decision by the European Central Bank to buy Greek bonds was that

- A) it may increase moral hazard by encouraging other European governments to issue more debt than private investors were willing to buy.
B) it may increase adverse selection by encouraging other European governments to issue more debt than private investors were willing to buy.
C) it may result in higher risk premiums as private investors anticipate a default by Greece.
D) it may worsen the Greek recession by increasing Greek interest rates.

Answer: <https://biology-forums.com/index.php?topic=1820094>

Question 1672

Forward transactions

- A) provide substantial liquidity.
B) entail small information costs.
C) provide risk sharing.
D) provide reduced tax payments.

Answer: <https://biology-forums.com/index.php?topic=1818879>

Question 1673

How is a monopolistically competitive firm likely to respond to fluctuations in demand in the short run?

- A) by selling more or less at the posted price
B) by changing prices
C) by reducing menu costs
D) by increasing menu costs

Answer: <https://biology-forums.com/index.php?topic=1820149>

Question 1674

Which of the following countries experienced hyperinflation during the 1920s?

- A) The United States
- B) Canada
- C) Germany
- D) England

Answer: <https://biology-forums.com/index.php?topic=1819842>

Question 1675

The interest rate on interbank loans is called the

- A) discount rate.
- B) federal funds rate.
- C) repo rate.
- D) prime rate.

Answer: <https://biology-forums.com/index.php?topic=1819264>

Question 1676

The key assumption of the liquidity premium theory is that investors

- A) view bonds of different maturities as perfect substitutes.
- B) view bonds of different maturities as completely unsubstitutable.
- C) always choose the bond with the highest expected return, regardless of maturity.
- D) care about both expected returns and time to maturity.

Answer: <https://biology-forums.com/index.php?topic=1818706>

Question 1677

According to AD-AS model, the primary long-run effect of increases in the money supply is

- A) a higher price level.
- B) higher GDP.
- C) a lower price level.
- D) lower GDP.

Answer: <https://biology-forums.com/index.php?topic=1820180>

Question 1678

How can a bond have a negative rate of return?

- A) if the current yield is greater than the coupon rate
- B) if the current yield is less than the coupon rate
- C) if the rate of capital loss exceeds the current yield
- D) if the rate of capital gains is less than the current yield

Answer: <https://biology-forums.com/index.php?topic=1818468>

Question 1679

The difference between currency outstanding and currency in circulation is equal to

- A) vault cash.
- B) bank reserves.
- C) coins issued by the U.S. Treasury.
- D) zero; they are the same thing.

Answer: <https://biology-forums.com/index.php?topic=1819741>

Question 1680

As of late 2016, approximately what portion of U.S. currency is held outside of the United States?

- A) 1/10
- B) 1/3
- C) 1/2
- D) 2/3

Answer: <https://biology-forums.com/index.php?topic=1818303>

Question 1681

During a period of economic expansion, when expected profitability is high

- A) the demand curve for bonds shifts to the left.
- B) the supply curve of bonds shifts to the right.
- C) the equilibrium interest rate falls.
- D) the equilibrium price of bonds rises.

Answer: <https://biology-forums.com/index.php?topic=1818564>

Question 1682

What are the three key features of the financial system that result from the existence of transactions and information costs?

Answer: <https://biology-forums.com/index.php?topic=1819252>

Question 1683

How does deflation affect those with debt?

Answer: <https://biology-forums.com/index.php?topic=1819577>

Question 1684

Acme Widget tells investors it wants to build a new widget factory and sell investors \$10,000,000 in bonds to finance it. Once they have raised the \$10,000,000 the owners of Acme Widget use the funds to finance a trip to Atlantic City to try out a new scheme they have devised to win at blackjack. This is an example of

- A) the adverse selection problem in financial markets.
- B) the moral hazard problem in financial markets.
- C) the difficulty lenders have in distinguishing good from lemon firms.
- D) the problems with using rational expectations in financial markets.

Answer: <https://biology-forums.com/index.php?topic=1819192>

Question 1685

The mix of stocks and bonds a firm uses to raise funds is called

- A) diversification.
- B) capital structure.
- C) market value.
- D) asset management.

Answer: <https://biology-forums.com/index.php?topic=1819433>

Question 1686

The members of Federal Reserve district bank boards of directors who represent the public interest are known as

- A) Class A directors.
- B) Class B directors.
- C) Class C directors.
- D) Class D directors.

Answer: <https://biology-forums.com/index.php?topic=1819644>

Question 1687

Which of the following makes up the largest share of M2?

- A) M1
- B) savings deposits
- C) small time deposits
- D) money market mutual fund shares

Answer: <https://biology-forums.com/index.php?topic=1818337>

Question 1688

Suppose an investment bank is buying \$50 million in long-term mortgage-backed securities, and finances the investment by borrowing 80% and paying for the other 20% out of equity. What is the bank's return on its equity investment if the value of the mortgage-backed securities increases by 10% during the year after they are purchased?

- A) 12.5%
- B) 25%
- C) 50%
- D) 88%

Answer: <https://biology-forums.com/index.php?topic=1819423>

Question 1689

Which of the following is TRUE regarding transactions costs and information costs?

- A) Both benefit borrowers at the expense of savers.
- B) Both benefit savers at the expense of borrowers.
- C) Transactions costs hurt savers while information costs hurt borrowers.

D) Both create profit opportunities for those who can reduce these costs.

Answer: <https://biology-forums.com/index.php?topic=1819145>

Question 1690

The creation of a lender of last resort in the United States

- A) occurred in response to banking panics.
- B) was mandated in the U.S. Constitution.
- C) occurred in response to the S&L crisis of the 1980s.
- D) has been recommended by the Treasury in its report of late 1992.

Answer: <https://biology-forums.com/index.php?topic=1819510>

Question 1691

What makes advising on mergers and acquisitions particularly profitable for investment banks relative to other services that they provide?

Answer: <https://biology-forums.com/index.php?topic=1819441>

Question 1692

How would monetary easing by the Swiss National Bank affect the value of the franc?

- A) It increases it since more people will take out loans at the low interest rates.
- B) It reduces it since it reduces demand for francs since Swiss interest rates are now lower.
- C) It increases it since it increases demand for francs since Swiss interest rates are now higher.
- D) It reduces it since the supply of francs on the foreign exchange market is now lower.

Answer: <https://biology-forums.com/index.php?topic=1820033>

Question 1693

The portfolios that mutual funds offer to savers are

- A) usually made up of bonds.
- B) usually made up of common stocks.
- C) tax free in most states.
- D) usually more liquid than the underlying assets.

Answer: <https://biology-forums.com/index.php?topic=1819450>

Question 1694

If interest rates are raised in Japan, U.S. investors will be inclined to _____ Japanese financial assets, _____ the value of the Japanese yen relative to other currencies.

- A) buy; raising
- B) buy; lowering
- C) sell; raising
- D) sell; lowering

Answer: <https://biology-forums.com/index.php?topic=1819068>

Question 1695

If oranges sell for \$100 per crate in the United States and 4,000 pesos per crate in Mexico, the law of one price indicates that you should be able to exchange \$1 for

- A) 0.025 peso.
- B) 4 pesos.
- C) 40 pesos.
- D) 400 pesos.

Answer: <https://biology-forums.com/index.php?topic=1819042>

Question 1696

Which of the following agencies has established standardized accounting principles for reporting corporate earnings?

- A) The Securities and Exchange Commission
- B) The Federal Trade Commission
- C) The National Accounting Board
- D) The Fair Reporting Commission

Answer: <https://biology-forums.com/index.php?topic=1819195>

Question 1697

If $AE < Y$, which of the following will NOT occur?

- A) Inventories will decline.
- B) Actual investment will be more than planned investment.
- C) Employment will decline.
- D) GDP will decline.

Answer: <https://biology-forums.com/index.php?topic=1820213>

Question 1698

Limited liability can best be defined as the legal provision that

- A) shields owners of a corporation from losing more than what they invested in a firm.
- B) protects bond holders from being sued by other creditors.
- C) gives holders of preferred stock priority over holders of common stock.
- D) reduces the exposure of sole proprietorships to law suits.

Answer: <https://biology-forums.com/index.php?topic=1818740>

Question 1699

If the interest rate on a U.S. one-year bond is 2%, the interest rate on a Brazilian one-year bond is 8%, and the currency premium on reals (Brazilian currency) is 3%, what is the expected rate of appreciation of the U.S. dollar according to interest-rate parity?

- A) -3%
- B) 3%
- C) 5%
- D) 6%

Answer: <https://biology-forums.com/index.php?topic=1819098>

Question 1700

Many economists and policymakers have raised concerns about crowdfunding due to the existence of

- A) information costs facing small investors.
- B) information costs facing business start ups.
- C) transactions costs facing business start ups.
- D) increased competition for banks in funding business start ups.

Answer: <https://biology-forums.com/index.php?topic=1819215>

Question 1701

What real-world complications keep purchasing power parity from being a complete explanation of exchange rates ?

Answer: <https://biology-forums.com/index.php?topic=1819065>

Question 1702

In the aggregate demand-aggregate supply model, if entrepreneurs become convinced that future profitability of capital has increased

- A) current output will fall, but the price level will rise.
- B) current output will rise, but the price level will fall.
- C) current output and the price level will both rise.
- D) current output and the price level will both fall.

Answer: <https://biology-forums.com/index.php?topic=1820171>

Question 1703

The Bretton Woods system lasted from

- A) 1801 to 1861.
- B) 1863 to 1914.
- C) 1945 to 1971.
- D) 1981 to 1993.

Answer: <https://biology-forums.com/index.php?topic=1820063>

Question 1704

Underwriting involves

- A) insuring the life or health of individuals.
- B) guaranteeing a price for new capital to the issuing firm.
- C) selling stock more cheaply than conventional stockbrokers.
- D) issuing stock and using the proceeds to buy bonds.

Answer: <https://biology-forums.com/index.php?topic=1819408>

Question 1705

Traditionally, Fed policymakers have been _____ to use higher interest rates to head off potential asset bubbles _____.

- A) hesitant; because it may cause a slowdown in the economy
- B) hesitant; because it would most likely result in rapid increases in inflation
- C) eager; even though it may cause a slowdown in the economy
- D) eager; because it would most likely result in sustained deflation

Answer: <https://biology-forums.com/index.php?topic=1819861>

Question 1706

If the nonbank public wants to move funds from savings accounts to checkable deposits

- A) M1 and M2 would both rise.
- B) M1 and M2 would both remain unchanged.
- C) M1 would rise and M2 would remain unchanged.
- D) M1 would rise and M2 would fall.

Answer: <https://biology-forums.com/index.php?topic=1819832>

Question 1707

Illustrate the effect of an open market sale of \$20 million worth of Treasury bills on the Fed's balance sheet.

Answer: <https://biology-forums.com/index.php?topic=1819792>

Question 1708

In the current U.S. economy, who plays the role of lender of last resort?

- A) The Securities and Exchange Commission
- B) The Federal Deposit Insurance Corporation
- C) The Federal Reserve System
- D) The Social Security Administration

Answer: <https://biology-forums.com/index.php?topic=1819392>

Question 1709

The risk premium of corporate bonds typically increases

- A) when the average price of corporate bonds increases.
- B) during a recession.
- C) when the interest rates on corporate bonds decreases.
- D) when the risk premium on treasury bonds increases.

Answer: <https://biology-forums.com/index.php?topic=1818628>

Question 1710

Under the Bretton Woods system the international reserve currency was the

- A) U.S. dollar.
- B) British pound.
- C) German mark.
- D) Japanese yen.

Answer: <https://biology-forums.com/index.php?topic=1820064>

Question 1711

If you sell a futures contract for U.S. Treasury bills and on the delivery date the interest rate of T-bills is higher than you expected, you will have

- A) lost money on your long position.
- B) gained money on your long position.
- C) lost money on your short position.
- D) gained money on your short position.

Answer: <https://biology-forums.com/index.php?topic=1818910>

Question 1712

In an effort to increase government revenue, Congress and the president decide to increase the corporate profits tax. The likely result will be

- A) the supply curve for bonds shifts to the left.
- B) the demand curve for bonds shifts to the left.
- C) the equilibrium interest rate rises.
- D) the equilibrium price of bonds falls.

Answer: <https://biology-forums.com/index.php?topic=1818542>

Question 1713

In a large open economy

- A) domestic lending and borrowing decisions have no impact on the world real interest rate.
- B) an increase in the domestic supply of loanable funds would lower the world real interest rate.
- C) the domestic equilibrium real interest rate is determined independently of foreign borrowing and lending.
- D) an increase in the domestic demand for loanable funds would lower the world real interest rate.

Answer: <https://biology-forums.com/index.php?topic=1818615>

Question 1714

The ratio of a bank's after-tax profit to bank capital is known as

- A) net interest margin.
- B) return on equity.
- C) return on capital.
- D) spread.

Answer: <https://biology-forums.com/index.php?topic=1819326>

Question 1715

If a bank has a leverage ratio of 0.1 and a return on assets of 2%, what is its return on equity?

- A) 0.2%
- B) 2.1%
- C) 5%
- D) 20%

Answer: <https://biology-forums.com/index.php?topic=1819328>

Question 1716

A decrease in the price level will lead to

- A) a decrease in the real interest rate and an increase in net exports.
- B) an increase in the real interest rate and an increase in net exports.
- C) a decrease in the real interest rate and a decrease in net exports.
- D) an increase in the real interest rate and a decrease in net exports.

Answer: <https://biology-forums.com/index.php?topic=1820113>

Question 1717

The world real interest rate is

- A) set annually by a special commission at the United Nations.
- B) set annually by a special commission at the International Monetary Fund.
- C) determined in the international capital market.
- D) determined daily on the New York Stock Exchange.

Answer: <https://biology-forums.com/index.php?topic=1818611>

Question 1718

\$1 received n years from now has a value today of

- A) $(\$1 + i)/i$.
- B) $\$1/(1 + i)$.
- C) $(\$1 + i)n/i$.
- D) $\$1/(1 + i)n$.

Answer: <https://biology-forums.com/index.php?topic=1818379>

Question 1719

What is the main reason the Fed operates in a political arena?

- A) It lacks a constitutional mandate.
- B) The members of the Board of Governors must run for reelection every fourteen years.
- C) The members of the Board of Governors are typically prominent politicians.
- D) It is under the direct control of Congress.

Answer: <https://biology-forums.com/index.php?topic=1819696>

Question 1720

Businesses typically issue bonds to finance

- A) their inventories.
- B) payments to their workers.
- C) spending on new plant and equipment.
- D) dividend payments to their stockholders.

Answer: <https://biology-forums.com/index.php?topic=1818541>

Question 1721

Banks experience interest rate risk

- A) if adverse selection problems are particularly severe.
- B) if moral hazard problems are particularly severe.
- C) on any investment that has high information costs.
- D) if changes in interest rates cause bank profits to fluctuate.

Answer: <https://biology-forums.com/index.php?topic=1819358>

Question 1722

When a country's nominal exchange rate appreciates, the price of

- A) that country's goods abroad increases.
- B) that country's goods abroad decreases.
- C) foreign goods sold in the country increases.
- D) that country's goods produced and sold at home increases.

Answer: <https://biology-forums.com/index.php?topic=1819010>

Question 1723

The Federal Reserve Act of 1913 made who the chairman of the Federal Reserve Board?

- A) the vice-president of the United States
- B) the secretary of the Treasury
- C) the comptroller of the currency
- D) the chancellor of the Exchequer

Answer: <https://biology-forums.com/index.php?topic=1819716>

Question 1724

How does the principal-agent problem increase the possibility of moral hazard?

Answer: <https://biology-forums.com/index.php?topic=1819240>

Question 1725

Bank capital can best be described as

- A) funds contributed by shareholder purchasers of a bank's stock plus the accumulated retained earnings.
- B) the accumulated amount of reserves held by a bank.
- C) the location of most of the major banks of a country.
- D) another name for bank assets.

Answer: <https://biology-forums.com/index.php?topic=1819296>

Question 1726

Explain what is meant by the "double taxation of dividends"?

Answer: <https://biology-forums.com/index.php?topic=1818779>

Question 1727

Barter is

- A) another name for money.
- B) an exchange of goods and services directly for goods and services.
- C) the basis for economic specialization.
- D) the main system of exchange in the United States today.

Answer: <https://biology-forums.com/index.php?topic=1818256>

Question 1728

A tariff is a

- A) limit on the volume of foreign goods that can be brought into the country.
- B) tax on goods purchased from other countries.

C) tax on goods exported to other countries.
D) subsidy by governments to firms that produce goods for export to other countries.
Answer: <https://biology-forums.com/index.php?topic=1819038>

Question 1729

Why has M2 grown more quickly than M1 in recent decades?
A) Currency in circulation has declined.
B) People own more shares of stock than in the past.
C) The amount of funds in CDs and money market mutual funds shares has grown faster than currency or checking deposits.
D) Most people use debit cards instead of checking accounts.
Answer: <https://biology-forums.com/index.php?topic=1818346>

Question 1730

How did the federal funds rate compare to that suggested by Taylor's rule following the 2001 recession and during the Financial Crisis of 2007-2009?
How would proponents of Taylor's rule evaluate monetary policy in each period.
Answer: <https://biology-forums.com/index.php?topic=1819992>

Question 1731

Which of the following is the most common goal for central banks of industrialized countries?
A) high employment
B) high economic growth
C) low interest rates
D) low inflation
Answer: <https://biology-forums.com/index.php?topic=1819727>

Question 1732

If the expectations theory of the term structure is correct, would a reduction in the supply of thirty-year Treasury bonds affect their yields?
Answer: <https://biology-forums.com/index.php?topic=1818730>

Question 1733

If the coefficient a in the new classical expression for short-run aggregate supply were equal to zero
A) aggregate output would always be at its full-employment level.
B) the short-run aggregate supply curve would slope down.
C) the short-run aggregate supply curve would be a horizontal line.
D) aggregate output would only differ from its full-employment level if the actual price level did not equal the expected price level.
Answer: <https://biology-forums.com/index.php?topic=1820142>

Question 1734

When market participants have rational expectations, the deviation of the expected price from the actual future price is
A) zero.
B) predictable, provided all relevant information is made use of.
C) not predictable.
D) predictable under certain circumstances, but not under others.
Answer: <https://biology-forums.com/index.php?topic=1818793>

Question 1735

The average investor must weigh the benefits of liquidity against
A) the high taxes generally levied on liquid assets.
B) the lower returns on liquid assets.
C) the high transactions costs involved in disposing of liquid assets.
D) the greater variability in the nominal returns on liquid assets.
Answer: <https://biology-forums.com/index.php?topic=1818488>

Question 1736

A hyperinflation occurs when
A) inflation persists for more than two years.
B) inflation persists for more than five years.
C) the inflation rate exceeds 50% per year.
D) the inflation rate exceeds 50% per month.

Answer: <https://biology-forums.com/index.php?topic=1818349>

Question 1737

- Following the Brexit vote, the decline in value of the British pound relative to the euro
- A) helped British firms that produced goods at factories in countries using the euro.
 - B) helped British firms that produced goods for domestic consumption.
 - C) hurt British firms that produced goods for export to countries using the euro.
 - D) helped British firms that produced goods for export to countries using the euro.

Answer: <https://biology-forums.com/index.php?topic=1819022>

Question 1738

- When nominal interest rates fall on financial assets such as U.S. Treasury bills, the amount of interest that households and firms
- A) gain by holding money decreases.
 - B) lose by holding money decreases.
 - C) lose by holding money increases.
 - D) lose or gain by holding money does not change.

Answer: <https://biology-forums.com/index.php?topic=1818586>

Question 1739

- Suppose that short-term real interest rates fall in Japan. Is this likely to be good news or bad news for the tourism industry in Hawaii?

Answer: <https://biology-forums.com/index.php?topic=1819116>

Question 1740

The Federal Reserve System was created in

- A) 1836.
- B) 1863.
- C) 1913.
- D) 1945.

Answer: <https://biology-forums.com/index.php?topic=1819388>

Question 1741

An increase in all of the following will increase aggregate demand EXCEPT

- A) investment.
- B) savings.
- C) exports.
- D) government spending.

Answer: <https://biology-forums.com/index.php?topic=1820121>

Question 1742

What is an important difference between certificates of deposits (CDs) worth less than \$100,000 compared to those worth \$100,000 or more?

Answer: <https://biology-forums.com/index.php?topic=1819310>

Question 1743

All of the following arguments are presented in favor of inflation targeting EXCEPT

- A) it would draw attention to what the central bank can achieve in practice.
- B) it would provide an anchor for inflationary expectations.
- C) it would promote accountability by providing a yardstick by which policy can be measured.
- D) it would reduce the lags inherent in monetary policy.

Answer: <https://biology-forums.com/index.php?topic=1819978>

Question 1744

How can the Gordon growth model help explain the major decline in stock indexes during 2007-2009?

- A) There was an increase in the required return on equities and a decrease in the expected growth rate of dividends.
- B) There was a decrease in the required return on equities and an increase in the expected growth rate of dividends.
- C) There was an increase in the required return on equities and an increase in the expected growth rate of dividends.
- D) There was a decrease in the required return on equities and a decrease in the expected growth rate of dividends.

Answer: <https://biology-forums.com/index.php?topic=1818838>

Question 1745

A lender who is worried that its cost of funds might rise during the term of a loan it has made can hedge against this rise by

- A) buying futures contracts on Treasury bills.
- B) selling futures contracts on Treasury bills.
- C) buying call options on Treasury bills.
- D) increasing the amount of money which it lends.

Answer: <https://biology-forums.com/index.php?topic=1818916>

Question 1746

Since capital gains are only taxed when an investor sells an asset and realizes the gain, a possible result is

- A) the locked-in effect.
- B) double taxation.
- C) an increase in capital losses.
- D) limited liability.

Answer: <https://biology-forums.com/index.php?topic=1818774>

Question 1747

Why was the Fed reluctant to rescue insolvent banks?

- A) It thought it may lead to moral hazard.
- B) It thought it may lead to adverse selection.
- C) It thought they were still liquid.
- D) It did not think they were insolvent.

Answer: <https://biology-forums.com/index.php?topic=1819569>

Question 1748

An investor will generally find that hiring an investment firm to actively manage his or her portfolio will

- A) result in a higher return than would be received from an index mutual fund.
- B) be less expensive than simply placing money in an index mutual fund.
- C) result in a higher return, but will be more expensive than placing money in an index mutual fund.
- D) result in about the same return, but will be more expensive than placing money in an index mutual fund.

Answer: <https://biology-forums.com/index.php?topic=1818809>

Question 1749

The era of bank panics in the United States was effectively ended by

- A) establishing the Fed as lender of last resort.
- B) implementing the gold standard.
- C) abandoning the gold standard.
- D) introducing deposit insurance.

Answer: <https://biology-forums.com/index.php?topic=1819517>

Question 1750

All else being equal, a decrease in the desirable characteristics of foreign financial securities causes the supply of dollars to _____ and the dollar will _____ relative to foreign currencies.

- A) increase; appreciate
- B) increase; depreciate
- C) decrease; appreciate
- D) decrease; depreciate

Answer: <https://biology-forums.com/index.php?topic=1819078>

Question 1751

How can the Fed reduce the implicit tax on banks resulting from reserve requirements?

- A) lowering the discount rate
- B) paying interest on reserves
- C) reducing the federal funds rate
- D) increasing the federal funds rate

Answer: <https://biology-forums.com/index.php?topic=1819873>

Question 1752

When prices rise, the purchasing power of money

- A) rises.
- B) falls.

C) is unaffected.
D) may rise, fall, or be unaffected depending upon circumstances.
Answer: <https://biology-forums.com/index.php?topic=1818350>

Question 1753

Moral hazard arises from
A) the difficulty of distinguishing good-risk borrowers from bad-risk borrowers.
B) the likelihood that bad-risk borrowers are more likely to accept a loan than are good-risk borrowers.
C) savers' difficulties in monitoring borrowers.
D) borrowers' difficulties in locating savers.
Answer: <https://biology-forums.com/index.php?topic=1819189>

Question 1754

A defined benefits plan
A) is always fully funded.
B) may be underfunded but cannot be overfunded.
C) may be overfunded but cannot be underfunded.
D) may be either underfunded or overfunded.
Answer: <https://biology-forums.com/index.php?topic=1819485>

Question 1755

Derivative instruments are
A) assets such as bonds or common stock that derive their value from the value of the companies which issue them.
B) assets whose rates of returns must be derived from information published in financial tables.
C) assets which derive their value from underlying assets.
D) computers which display real-time financial information.
Answer: <https://biology-forums.com/index.php?topic=1818858>

Question 1756

Futures trading practices in the United States are regulated by
A) the Chicago Board of Trade.
B) the Chicago Mercantile Exchange.
C) the Commodities Futures Trading Commission.
D) the Board of Futures Trading.
Answer: <https://biology-forums.com/index.php?topic=1818913>

Question 1757

Suppose you put \$500 in your savings account and earn 4% interest per year. How much will you have in your account after two years? Be sure to round off to the nearest cent.
Answer: <https://biology-forums.com/index.php?topic=1818386>

Question 1758

Which of the following is a bank asset?
A) checkable deposits
B) savings deposits
C) borrowings in the federal funds market
D) cash items in the process of collection
Answer: <https://biology-forums.com/index.php?topic=1819280>

Question 1759

Explain why the nominal interest rate is the opportunity cost of holding money.
Answer: <https://biology-forums.com/index.php?topic=1818597>

Question 1760

Why may a central bank intervene in the foreign exchange market when its currency is appreciating?
A) concerns about the country's exports becoming less competitive
B) concerns about inflation
C) concerns about imports becoming less competitive
D) to sterilize the effects on the domestic economy

Answer: <https://biology-forums.com/index.php?topic=1820023>

Question 1761

The aggregate supply curve represents levels of output that producers are willing to sell at

- A) each level of the real interest rate.
- B) each level of real GDP.
- C) each price level.
- D) each inflation rate.

Answer: <https://biology-forums.com/index.php?topic=1820131>

Question 1762

Financial intermediaries

- A) include banks and other depository institutions.
- B) include the New York and American Stock exchanges.
- C) directly issue claims on individual borrowers to savers.
- D) are owned and operated by the federal government.

Answer: <https://biology-forums.com/index.php?topic=1818200>

Question 1763

Suppose 3M pays a dividend of \$2 per share which the investor is expected to receive immediately. The dividend is expected to grow by 5% per year and the investor has a required rate of return of 8%. What should be the current price of the stock according to the Gordon growth model?

Answer: <https://biology-forums.com/index.php?topic=1818782>

Question 1764

When reading an options listing for a company like Microsoft

- A) both call and put options are listed.
- B) call options, but not put options, are listed.
- C) put options, but not call options, are listed.
- D) neither call nor put options are listed.

Answer: <https://biology-forums.com/index.php?topic=1818979>

Question 1765

The initial deposit required by a buyer or seller of a futures contract is known as

- A) credit.
- B) margin requirement.
- C) debit.
- D) marking.

Answer: <https://biology-forums.com/index.php?topic=1818903>

Question 1766

Having a common currency in most of Europe has made it easier for all of the following EXCEPT

- A) households to buy across borders.
- B) businesses to sell across borders.
- C) households and firms to invest across borders.
- D) countries to allow their currencies to depreciate to spur exports.

Answer: <https://biology-forums.com/index.php?topic=1820100>

Question 1767

In a defined contribution pension plan

- A) pension income varies depending on how well the plan's investments have done.
- B) the employee is promised an assigned benefit based on earnings and years of service.
- C) if the funds in the pension plan exceed the amount promised, the excess accrues to the issuing firm or institution.
- D) all earnings are taxable as regular income.

Answer: <https://biology-forums.com/index.php?topic=1819484>

Question 1768

An implication of the efficient markets hypothesis is that

- A) only sophisticated investors will be able to earn above-normal profits from financial investments.
- B) above-normal profits are available only to major traders.

C) above-normal profits will be eliminated in the trading process.
D) unless he or she acts recklessly, the average investor should be able to make above-normal profits.
Answer: <https://biology-forums.com/index.php?topic=1818806>

Question 1769

Suppose the banking system holds no excess reserves. If the required reserve ratio is 0.10 and the money multiplier is 2.5, what is the value of the currency-deposit ratio?
Answer: <https://biology-forums.com/index.php?topic=1819825>

Question 1770

Historically, the leading official reserve asset was
A) gold.
B) the U.S. dollar.
C) the British pound.
D) the German mark.
Answer: <https://biology-forums.com/index.php?topic=1820050>

Question 1771

In Moscow in 1989, what were taxi drivers using as a medium of exchange?
A) Russian rubles
B) Marlboro cigarettes
C) gold coins
D) caviar
Answer: <https://biology-forums.com/index.php?topic=1818267>

Question 1772

What are the two most common reasons for a sovereign debt crisis?
Answer: <https://biology-forums.com/index.php?topic=1819556>

Question 1773

The idea that nominal interest rates rise or fall one-for-one with expected inflation is known as
A) market risk.
B) systematic risk.
C) idiosyncratic risk.
D) the Fisher effect.
Answer: <https://biology-forums.com/index.php?topic=1818571>

Question 1774

The main argument against Fed independence is that
A) in a democracy, elected officials should make public policy.
B) monetary and fiscal policy would be easier to coordinate if the Fed were not independent.
C) the Fed has proven irresponsible on many occasions.
D) congressional control was tried during the 1960s and it worked well.
Answer: <https://biology-forums.com/index.php?topic=1819711>

Question 1775

The bid price for a bond is
A) the minimum price that you are allowed to bid for a bond that is being auctioned by the government.
B) the maximum price that you are allowed to bid for a bond that is being auctioned by the government.
C) the price that you will receive from a securities dealer if you sell the bond.
D) the price that you must pay a securities dealer to purchase a bond.
Answer: <https://biology-forums.com/index.php?topic=1818444>

Question 1776

A change in the dollar value of the British pound from \$1.60 to \$1.50 represents
A) an increase in the pound price of British goods.
B) an appreciation of the dollar relative to the pound.
C) an appreciation of the pound relative to the dollar.
D) an increase in the dollar price of British goods.

Answer: <https://biology-forums.com/index.php?topic=1819009>

Question 1777

A bank run involves

- A) a failure by a bank to get the maximum return on its investments.
- B) large numbers of depositors withdrawing their deposits within a short period of time.
- C) a bank being forced out of business.
- D) fraud on the part of a bank's managers.

Answer: <https://biology-forums.com/index.php?topic=1819386>

Question 1778

According to the Gordon growth model, an increase in the required return on equity

- A) increases the future value of the stock.
- B) reduces the current dividend.
- C) reduces the value of a stock.
- D) reduces the expected growth rate of the dividend.

Answer: <https://biology-forums.com/index.php?topic=1818768>

Question 1779

The ECB has emphasized what type of goal for monetary policy?

- A) inflation targeting
- B) monetary targeting
- C) unclear as to inflation or monetary targeting
- D) exchange rate targeting

Answer: <https://biology-forums.com/index.php?topic=1819984>

Question 1780

If banks experience higher costs in making loans, they may decide to

- A) engage in credit rationing rather than raise interest rates in an attempt to increase adverse selection.
- B) engage in credit rationing rather than raise interest rates in an attempt to not increase adverse selection.
- C) raise interest rates rather than engage in credit rationing in an attempt to decrease adverse selection.
- D) raise interest rates rather than engage in credit rationing in an attempt to eliminate adverse selection.

Answer: <https://biology-forums.com/index.php?topic=1819188>

Question 1781

Regulation Q was intended to

- A) maintain banks' profitability by limiting competition for funds.
- B) increase the reserves banks would hold against demand deposits.
- C) increase the reserves banks would hold against time deposits.
- D) eliminate the need for discount loans.

Answer: <https://biology-forums.com/index.php?topic=1819611>

Question 1782

Private banks in each region which are part of the Federal Reserve System elect

- A) 2 members of the regional Reserve Bank's board of directors.
- B) 3 members of the regional Reserve Bank's board of directors.
- C) 6 members of the regional Reserve Bank's board of directors.
- D) the president of the regional Reserve Bank's board of directors.

Answer: <https://biology-forums.com/index.php?topic=1819622>

Question 1783

Which of the following is NOT a regulation applying to swap dealers as a result of the Dodd-Frank Act?

- A) Swaps must be traded through a clearinghouse.
- B) The value of swap contracts are limited to no more than \$8 billion.
- C) Dealers are required to deposit a fraction of the value of the contract with the clearinghouse.
- D) Data on trades must be publicly available.

Answer: <https://biology-forums.com/index.php?topic=1818999>

Question 1784

The European Central Bank is responsible for the monetary policy of

- A) the 5 largest European economies.
- B) all countries on the continent of Europe.
- C) all 28 countries in the European Union.
- D) the 19 sovereign countries that use the euro as their currency.

Answer: <https://biology-forums.com/index.php?topic=1819726>

Question 1785

In 1913, Congress and the president did not envision that the Fed would control

- A) the money supply.
- B) discount loans.
- C) lender-of-last-resort activity.
- D) broad control over most aspects of money and the banking system.

Answer: <https://biology-forums.com/index.php?topic=1819633>

Question 1786

Most economists believe that the aggregate supply curve is

- A) upward-sloping in the short run, but vertical in the long run.
- B) upward-sloping in the long run, but vertical in the short run.
- C) upward-sloping in both the short run and the long run.
- D) vertical in both the short run and the long run.

Answer: <https://biology-forums.com/index.php?topic=1820134>

Question 1787

Suppose that the banking system currently has no excess reserves and that a bank receives a deposit into a checking account of \$10,000 in currency. If the required reserve ratio is 0.20, what is the maximum amount that the BANKING SYSTEM can lend out?

- A) \$8,000
- B) \$10,000
- C) \$40,000
- D) \$50,000

Answer: <https://biology-forums.com/index.php?topic=1819799>

Question 1788

Financial futures contracts are regulated by

- A) the Commodity Futures Trading Commission.
- B) the Federal Trade Commission.
- C) the Interstate Commerce Commission.
- D) the Options and Futures Commission.

Answer: <https://biology-forums.com/index.php?topic=1818901>

Question 1789

With respect to the stock market crash of 1929 being the primary cause of the Great Depression

- A) most economists agree that this is true.
- B) most economists agree that this is not true.
- C) economists are all in agreement that this is, in fact, correct.
- D) economists disagree on how large an impact the crash had on the economy.

Answer: <https://biology-forums.com/index.php?topic=1818753>

Question 1790

All of the following help make the Fed independent of the political process EXCEPT

- A) financial independence.
- B) the chair of the Fed receives a lifetime appointment.
- C) board members receive a long, nonrenewable appointment.
- D) board members' terms expire at different times, reducing the possible number of appointees by any one president.

Answer: <https://biology-forums.com/index.php?topic=1819697>

Question 1791

International reserves are

- A) assets denominated in a foreign currency and used in international transactions.
- B) reserves the Fed requires banks to hold against Eurodollar deposits.

- C) reserves the International Monetary Fund requires banks to hold if they wish to participate in the market for foreign exchange.
D) central bank holdings of gold.

Answer: <https://biology-forums.com/index.php?topic=1819996>

Question 1792

Hyperinflations are usually caused by large budget deficits financed by

- A) selling bonds to private investors.
B) selling bonds to the central bank.
C) raising taxes.
D) borrowing from commercial banks.

Answer: <https://biology-forums.com/index.php?topic=1818358>

Question 1793

Debt instruments are also called

- A) equities.
B) credit market instruments.
C) prospectuses.
D) units of account.

Answer: <https://biology-forums.com/index.php?topic=1818390>

Question 1794

When you borrow stock from a broker and sell it now with plans to buy it back after it drops in price, you are engaging in a(n)

- A) margin call.
B) European option.
C) American option.
D) short sale.

Answer: <https://biology-forums.com/index.php?topic=1818977>

Question 1795

The rate of return is equal to

- A) the coupon rate plus the rate of capital gains.
B) the coupon rate plus the current yield.
C) the current yield plus the rate of capital gains.
D) the coupon rate multiplied by the rate of capital gains.

Answer: <https://biology-forums.com/index.php?topic=1818459>

Question 1796

The expectations theory suggests that

- A) the yield curve should usually be upward-sloping.
B) the yield curve should usually be downward-sloping.
C) the slope of the yield curve depends on the expected future path of short-term rates.
D) the slope of the yield curve reflects the risk premium incorporated into the yields on long-term bonds.

Answer: <https://biology-forums.com/index.php?topic=1818694>

Question 1797

Compare and contrast hedge funds and mutual funds in terms of the benefits and drawbacks of each.

Answer: <https://biology-forums.com/index.php?topic=1819471>

Question 1798

In 2016, as investors became more concerned with the default risk of bonds issued by the governments of Greece and Portugal relative to the default risk on bonds issued by the governments of Germany, France, and the Netherlands, the price of bonds issued by Germany, France, and the Netherlands would have most likely _____ and the yield on those bonds would have most likely _____.

- A) increased; increased
B) increased; decreased
C) decreased; increased
D) decreased; decreased

Answer: <https://biology-forums.com/index.php?topic=1818665>

Question 1799

Describe two useful purposes served by speculators in derivatives markets.

Answer: <https://biology-forums.com/index.php?topic=1818870>

Question 1800

When prices of new houses rise significantly faster than rent prices, this is evidence of a

- A) debt-deflation process.
- B) bubble.
- C) financial crisis.
- D) sovereign debt crisis.

Answer: <https://biology-forums.com/index.php?topic=1819590>

Question 1801

A bank's revenue comes from all of the following EXCEPT

- A) interest earned on vault cash.
- B) fees for services provided.
- C) interest on loans.
- D) interest on securities.

Answer: <https://biology-forums.com/index.php?topic=1819323>

Question 1802

When the Fed extends loans to depository institutions

- A) it increases the level of reserves.
- B) it decreases the level of reserves.
- C) it reduces the total value of the assets on its balance sheet.
- D) it reduces the total value of the liabilities on its balance sheet.

Answer: <https://biology-forums.com/index.php?topic=1819751>

Question 1803

In which of the following assets are commercial banks in the United States NOT allowed to invest checkable deposits?

- A) home mortgages
- B) corporate bonds
- C) municipal bonds
- D) U.S. Treasury bonds

Answer: <https://biology-forums.com/index.php?topic=1819285>

Question 1804

A swap is

- A) another name for a put option.
- B) another name for a call option.
- C) an agreement between two or more counterparties to exchange sets of cash flows over some future period.
- D) the name for the replacement of a futures contract by an options contract.

Answer: <https://biology-forums.com/index.php?topic=1818986>

Question 1805

When deciding between domestic and foreign financial investments, investors typically consider

- A) domestic and foreign inflation rates and expected changes in the exchange rate.
- B) domestic and foreign budget deficits.
- C) shifts in the relative demand for foreign and domestic goods.
- D) domestic and foreign interest rates and expected changes in the exchange rate.

Answer: <https://biology-forums.com/index.php?topic=1819083>

Question 1806

A put option is said to be "in the money" if

- A) it is written on a Treasury bill or other money-market asset.
- B) it has increased in price since it was first written.
- C) the price of the underlying asset is currently less than the strike price.
- D) the price of the underlying asset is currently less than the strike price plus the option premium.

Answer: <https://biology-forums.com/index.php?topic=1818968>

Question 1807

Suppose that investors perceive a higher risk of investing in Europe as a result of a sovereign debt crisis. Make use of a graph of the foreign exchange market to show how this will affect the value of the euro.

Answer: <https://biology-forums.com/index.php?topic=1819123>

Question 1808

Why does the payments system continue to change over time?

Answer: <https://biology-forums.com/index.php?topic=1818330>

Question 1809

All of the following are characteristics of debit cards EXCEPT

- A) payments are deferred until a later date.
- B) they can be used like checks.
- C) they eliminate the problem of trust since the bank's computer authorizes the transaction.
- D) when used at a store, the user's bank instantly credits the store's account with the amount and deducts it from the user's account.

Answer: <https://biology-forums.com/index.php?topic=1818320>

Question 1810

Which of the following will result in a decrease in the price of an existing corporate bond?

- A) lower expectations of inflation
- B) new bonds issued at a lower interest rate
- C) increased default risk
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=1818450>

Question 1811

What was the name of the plan, enacted in 2011, in which the Fed bought \$400 billion worth of long-term securities while selling \$400 billion worth of short-term securities?

- A) Operation Go Long
- B) Operation Twist
- C) QE2
- D) QE3

Answer: <https://biology-forums.com/index.php?topic=1819934>

Question 1812

What are the risk and reward for investment banks involved in underwriting a new security issue?

Answer: <https://biology-forums.com/index.php?topic=1819439>

Question 1813

The Open Market Trading Desk is

- A) another name for the Federal Open Market Committee.
- B) an organization of private traders in government securities.
- C) the area on the floor of the New York Stock Exchange set aside for bond trading.
- D) linked electronically to a group of private securities firms that the Fed has selected to participate in open market operations.

Answer: <https://biology-forums.com/index.php?topic=1819906>

Question 1814

Which of the following is NOT a problem with barter?

- A) Each good has multiple prices.
- B) high transactions costs
- C) the commodity money having value for other uses besides money
- D) lack of standardization of products exchanged

Answer: <https://biology-forums.com/index.php?topic=1818271>

Question 1815

Which of the following is NOT true of an insolvent bank?

- A) Its net worth is negative.

- B) It may be unable to pay off its depositors.
- C) The value of its assets is less than the value of its liabilities.
- D) It must have no more deposits.

Answer: <https://biology-forums.com/index.php?topic=1819513>

Question 1816

The Fed's goal of interest rate stability

- A) was formally abandoned in 1998.
- B) is motivated by political pressure as well as by a desire for a stable saving and investment environment.
- C) is undermined by actions the Fed takes to further its goal of stability in financial markets and institutions.
- D) is undermined by actions the Fed takes to further its goal of price stability.

Answer: <https://biology-forums.com/index.php?topic=1819856>

Question 1817

The Glass-Steagall Act was designed to

- A) legally separate investment banking from commercial banking.
- B) promote mergers in the banking industry.
- C) impose high capital ratios on investment banks.
- D) promote the interests of community banks.

Answer: <https://biology-forums.com/index.php?topic=1819428>

Question 1818

Automatic teller machines and debit cards are examples of

- A) electronic funds transfer systems.
- B) commodity monies.
- C) legal tender in the United States.
- D) modern barter systems.

Answer: <https://biology-forums.com/index.php?topic=1818318>

Question 1819

Bank capital is

- A) the current market value of the bank's physical assets.
- B) the historical or original value of the bank's physical assets.
- C) the capital contributed by the bank's shareholders plus accumulated retained profits.
- D) the sum of the value of the bank's assets plus the value of the bank's liabilities.

Answer: <https://biology-forums.com/index.php?topic=1819292>

Question 1820

During an economic recession

- A) the bond demand and supply curves both shift to the left and the equilibrium interest rate usually falls.
- B) the bond demand and supply curves both shift to the right and the equilibrium interest rate usually rises.
- C) the bond demand curve shifts to the right, the bond supply curve shifts to the left, and the equilibrium interest rate usually falls.
- D) the bond demand curve shifts to the left, the bond supply curve shifts to the right, and the equilibrium interest rate usually rises.

Answer: <https://biology-forums.com/index.php?topic=1818565>

Question 1821

How are TIPS adjusted for inflation?

- A) The interest rate is adjusted for inflation during each period.
- B) The principal is adjusted once the bond reaches maturity.
- C) The principal is adjusted for inflation each period.
- D) The interest rate is adjusted once the bond reaches maturity.

Answer: <https://biology-forums.com/index.php?topic=1818479>

Question 1822

U.S. Treasury securities

- A) are considered risk free because their prices never change.
- B) have been defaulted on several times in U.S. history.
- C) are considered default-risk-free instruments.
- D) have a large default risk premium.

Answer: <https://biology-forums.com/index.php?topic=1818634>

Question 1823

In order to reduce the likelihood of excessive leverage in the banking system, governments have traditionally

- A) imposed capital requirements on commercial banks.
- B) imposed capital requirement on investment banks.
- C) imposed capital requirements on both commercial and investment banks.
- D) imposed asset requirements on all banks.

Answer: <https://biology-forums.com/index.php?topic=1819331>

Question 1824

According to new Keynesians, why can firms increase output in the short run in response to higher prices?

Answer: <https://biology-forums.com/index.php?topic=1820168>

Question 1825

Suppose some members of Enron's board of directors are aware of the company's true financial condition, information that is not available to most investors. This is an example of

- A) the lemons problem.
- B) moral hazard.
- C) adverse selection.
- D) asymmetric information.

Answer: <https://biology-forums.com/index.php?topic=1819194>

Question 1826

The monetary base is equal to

- A) all currency in circulation plus all deposits in financial institutions.
- B) all currency in circulation plus checkable deposits in financial institutions.
- C) all currency in circulation plus reserves held by banks.
- D) checkable deposits in depository institutions plus reserves held by banks.

Answer: <https://biology-forums.com/index.php?topic=1819735>

Question 1827

Credit risk is the risk that

- A) an insufficient number of borrowers will apply for loans or credit.
- B) interest rates will rise after a loan has been granted.
- C) interest rates will fall after a loan has been granted.
- D) borrowers might default on their loans.

Answer: <https://biology-forums.com/index.php?topic=1819339>

Question 1828

If a \$10 billion increase in investment leads to a \$20 billion increase in GDP, the multiplier is

- A) 0.5.
- B) 2.
- C) 10.
- D) 30.

Answer: <https://biology-forums.com/index.php?topic=1820221>

Question 1829

Which group of investors vote for a corporation's board of directors?

- A) bond holders
- B) holders of preferred stock
- C) holders of common stock
- D) both holders of common and preferred stock

Answer: <https://biology-forums.com/index.php?topic=1818741>

Question 1830

Suppose there's a 50% chance of a stock rising by 20% and a 50% chance of it falling by 20%. What is the expected rate of return on the stock?

- A) -20%
- B) 0%
- C) 10%

D) 20%

Answer: <https://biology-forums.com/index.php?topic=1818492>

Question 1831

Excess volatility refers to

- A) the unwillingness of financial analysts to consistently recommend the same stocks.
- B) the greater volatility of futures prices compared to the volatility of prices of the underlying assets.
- C) the tendency for stocks with high rates of returns also to have quite variable returns.
- D) the larger movements in market prices of stock than in their fundamental values.

Answer: <https://biology-forums.com/index.php?topic=1818837>

Question 1832

When an economy relies on specialization

- A) the economy will generally produce only one product.
- B) the economy will usually be heavily agricultural.
- C) each individual in the economy produces the goods or services for which he or she has relatively the best ability.
- D) each individual will be assigned by the government to produce that good or service the government believes the economy should specialize in.

Answer: <https://biology-forums.com/index.php?topic=1818254>

Question 1833

Suppose that many households look to the stock market to gauge how the economy is likely to perform in the future. When stock prices are rising, households will be optimistic about the future state of the economy and will increase their spending on houses and consumer durables, such as cars and furniture. When stock prices are falling, households will be pessimistic about the future and will cut back on their spending. If this view of the link between stock prices and household spending is correct, what will be the effect of a decline in stock prices on output in the new Keynesian view? Be sure to distinguish the short run from the long run.

Answer: <https://biology-forums.com/index.php?topic=1820192>

Question 1834

Suppose you have two clients who need your services for two years. One agreed to pay you \$50,000 one year from now and another \$50,000 in two years while the other paid \$35,000 after one year, but \$65,000 after two years. Assuming an interest rate of 10%, which one has a higher present value? Round off to the nearest dollar.

Answer: <https://biology-forums.com/index.php?topic=1818388>

Question 1835

The reduction in average cost resulting from an increase in the volume of a good or service produced is called

- A) information cost.
- B) transactions cost.
- C) diminishing returns.
- D) economies of scale.

Answer: <https://biology-forums.com/index.php?topic=1819153>

Question 1836

Why may a central bank intervene in the foreign exchange market when its currency is depreciating?

- A) concerns about the country's exports becoming less competitive
- B) concerns about inflation
- C) concerns about deflation
- D) to sterilize the effects on the domestic economy

Answer: <https://biology-forums.com/index.php?topic=1820022>

Question 1837

From 2010-2015, which of the following was the primary source of external financing for small to medium-size firms?

- A) mortgages
- B) bank loans other than mortgages
- C) trade credit
- D) other loans

Answer: <https://biology-forums.com/index.php?topic=1819242>

Question 1838

Which of the following does NOT represent a way in which financial intermediaries take advantage of economies of scale?

- A) paying lower brokerage fees per dollar invested
- B) paying lower legal fees per dollar invested
- C) purchasing sophisticated computer systems
- D) paying lower taxes per dollar invested

Answer: <https://biology-forums.com/index.php?topic=1819150>

Question 1839

What is the maximum amount a bank can lend?

- A) its total reserves
- B) its excess reserves
- C) its excess reserves divided by the required reserve ratio
- D) the value of its checkable deposits times the required reserve ratio

Answer: <https://biology-forums.com/index.php?topic=1819796>

Question 1840

Negotiable certificates of deposit were developed in order to

- A) compete for loan business that had been going to the commercial paper market.
- B) circumvent interest rate regulations on deposits.
- C) increase assets that were acceptable as collateral for discount loans.
- D) circumvent reserve requirements.

Answer: <https://biology-forums.com/index.php?topic=1819607>

Question 1841

Which of the following is a fixed payment loan?

- A) a home mortgage
- B) a U.S. Treasury bill
- C) a U.S. Treasury note
- D) a zero-coupon bond

Answer: <https://biology-forums.com/index.php?topic=1818405>

Question 1842

Monetary neutrality refers to the fact that changes in the money supply

- A) affect output more in the long run than in the short run.
- B) have no effect on output in the long run.
- C) affect only output in the long run.
- D) have a greater effect on prices in the short run than in the long run.

Answer: <https://biology-forums.com/index.php?topic=1820181>

Question 1843

Which of the following cities does NOT contain a Federal Reserve bank?

- A) Cleveland
- B) Dallas
- C) Los Angeles
- D) Boston

Answer: <https://biology-forums.com/index.php?topic=1819636>

Question 1844

According to the efficient markets hypothesis, the difference between today's price for a share of stock and tomorrow's price is

- A) predictable given currently available information.
- B) equal to today's price minus yesterday's price.
- C) unforecastable.
- D) zero.

Answer: <https://biology-forums.com/index.php?topic=1818812>

Question 1845

The "greater fool" theory assumes that

- A) markets are efficient.
- B) bubbles cannot exist in well-organized markets.
- C) it makes sense for an investor to buy an asset as long as there is someone else to buy it later for a higher price.
- D) bond market returns are always above stock market returns.

Answer: <https://biology-forums.com/index.php?topic=1818849>

Question 1846

Financial intermediaries are able to act as delegated monitors for individual savers because

- A) other investors are unable to gain a free ride on their monitoring efforts.
- B) borrowers consider this role to be traditional for financial intermediaries and are willing to put up with it.
- C) the federal government has granted them waivers from laws protecting privacy.
- D) they employ a vast network of private detectives to carry out their monitoring role.

Answer: <https://biology-forums.com/index.php?topic=1819208>

Question 1847

Suppose that a small economy that had previously been closed becomes open. If its real interest rate had previously been below the world real interest rate, we would expect that

- A) the country's real interest rate would remain below the world level.
- B) the country would become a net lender abroad.
- C) the country would become a new borrower abroad.
- D) the amount of loanable funds supplied in the country would decline.

Answer: <https://biology-forums.com/index.php?topic=1818617>

Question 1848

How does the liquidity premium theory explain an upward-sloping yield curve during normal economic times?

Answer: <https://biology-forums.com/index.php?topic=1818736>

Question 1849

Any reserves beyond what is required are called

- A) required reserves.
- B) excess reserves.
- C) secondary reserves.
- D) bank capital.

Answer: <https://biology-forums.com/index.php?topic=1819287>

Question 1850

By designating Federal Reserve currency as legal tender, the federal government

- A) has ensured that Federal Reserve currency will serve as money.
- B) has guaranteed that Federal Reserve currency may be exchanged for an equivalent amount of gold or silver.
- C) has mandated that Federal Reserve currency be accepted for payment of debts.
- D) has mandated that Federal Reserve currency be accepted by citizens of foreign countries in exchange for their countries' currencies.

Answer: <https://biology-forums.com/index.php?topic=1818296>

Question 1851

How does moral hazard contribute to high bank leverage?

Answer: <https://biology-forums.com/index.php?topic=1819335>

Question 1852

If the interest rate in the United States rises

- A) investors increase their demand for dollars and the U.S. exchange rate appreciates.
- B) investors increase their demand for dollars and the U.S. exchange rate depreciates.
- C) investors decrease their demand for dollars and the U.S. exchange rate appreciates.
- D) investors decrease their demand for dollars and the U.S. exchange rate depreciates.

Answer: <https://biology-forums.com/index.php?topic=1819090>

Question 1853

Which of the following types of mortgage loans became more common during the housing boom of the early-to-mid 2000s?

- A) those with flawed credit histories
- B) thirty-year, fixed-rate mortgages
- C) prime mortgages
- D) those with down payments of at least 20%

Answer: <https://biology-forums.com/index.php?topic=1818441>

Question 1854

Why didn't the surge in the monetary base between 2008-2012 lead to a similar surge in the money supply?

- A) The currency-deposit ratio rose significantly, resulting in a much smaller money multiplier.
- B) The excess reserve-deposit ratio rose significantly, resulting in a much smaller money multiplier.
- C) The Fed increased the required reserve ratio, resulting in a much smaller money multiplier.
- D) Nonborrowed reserves declined, offsetting the increase in the monetary base.

Answer: <https://biology-forums.com/index.php?topic=1819818>

Question 1855

Which aspects of a bank's operations are evaluated as part of the CAMELS rating system?

Answer: <https://biology-forums.com/index.php?topic=1819618>

Question 1856

Which of the following is NOT an activity carried out by Federal Reserve district banks?

- A) open market operations
- B) issuing new Federal Reserve Notes
- C) making discount loans
- D) examining state member banks

Answer: <https://biology-forums.com/index.php?topic=1819647>

Question 1857

What accounted for much of policymakers' concern over U.S. current account deficits in the 1980s, 1990s, and 2000s?

- A) The current account deficits were thought to be largely responsible for the federal budget deficit.
- B) Current account deficits lower U.S. interest rates, thereby leading to reduced domestic saving.
- C) Current account deficits require the United States to borrow funds from foreign savers.
- D) The United States had signed international agreements in which it had pledged not to run a current account deficit for more than three years in a row.

Answer: <https://biology-forums.com/index.php?topic=1820048>

Question 1858

Which combination of assets represents the most diversification?

- A) holding corporate and Treasury bonds
- B) holding shares of Google and Yahoo
- C) holding shares of Google and Microsoft
- D) holding shares of Google along with Treasury bonds

Answer: <https://biology-forums.com/index.php?topic=1818502>

Question 1859

Suppose an investment bank buys \$100 million worth of mortgage-backed securities. It finances the purchase by borrowing \$90 million and using \$10 million from its equity. If the value of holdings of mortgage-backed securities declines by 5%, what is its return on equity investment?

Answer: <https://biology-forums.com/index.php?topic=1819446>

Question 1860

The sale of foreign assets by a central bank accompanied by an open market purchase of securities of the same size results in

- A) a reduction in the monetary base.
- B) an increase in the monetary base.
- C) a sterilized intervention.
- D) an unsterilized intervention.

Answer: <https://biology-forums.com/index.php?topic=1820017>

Question 1861

Which of the following is NOT included in M2?

- A) currency
- B) savings bonds
- C) money market deposit accounts
- D) overnight repurchase agreements

Answer: <https://biology-forums.com/index.php?topic=1818333>

Question 1862

A rise in expected inflation will result in all of the following EXCEPT

- A) lower nominal interest rates.
- B) lower real interest rates.
- C) reduced demand for bonds.
- D) increased supply of bonds.

Answer: <https://biology-forums.com/index.php?topic=1818554>

Question 1863

Since the 1960s, the percentage of U.S. output exported to foreigners

- A) remained about the same.
- B) more than doubled.
- C) increased by more than ten times.
- D) declined by about half.

Answer: <https://biology-forums.com/index.php?topic=1819005>

Question 1864

Who owns the Federal Reserve banks?

- A) the private commercial banks in each district which are members of the Federal Reserve System
- B) those households which have purchased stock in Federal Reserve System
- C) the federal government
- D) the governments of the states in which the banks are located

Answer: <https://biology-forums.com/index.php?topic=1819640>

Question 1865

If you look at the financial page listings for futures contracts and find that futures prices on Treasury bonds are falling over a particular time period, futures market investors must expect that

- A) Treasury bond prices will be higher in the future.
- B) Treasury bond yields will be higher in the future.
- C) Treasury bond yields will be lower in the future.
- D) futures prices will rise again at the end of the period.

Answer: <https://biology-forums.com/index.php?topic=1818889>

Question 1866

What three parts of the economy are represented in the IS-MP model?

Answer: <https://biology-forums.com/index.php?topic=1820239>

Question 1867

In 2010, doubts were raised about the debt of all of the following countries EXCEPT

- A) Ireland.
- B) Greece.
- C) Poland.
- D) Portugal.

Answer: <https://biology-forums.com/index.php?topic=1819732>

Question 1868

A quota refers to

- A) a tax on imported goods.
- B) a limit on the amount of a good that can be imported.
- C) the range within which an exchange rate is allowed to fluctuate.
- D) a limit on the size of a trade deficit.

Answer: <https://biology-forums.com/index.php?topic=1819055>

Question 1869

Which of the following is NOT a reason that firms in the shadow banking system were more vulnerable than commercial banks during the financial crisis of 2007-2009?

- A) They could invest in riskier assets.
- B) Investors had no insurance against loss of principal.

- C) They made investments that would lose value if housing prices decline.
D) They were more heavily regulated than commercial banks, making them less able to adjust to changing market conditions.
Answer: <https://biology-forums.com/index.php?topic=1819499>

Question 1870

Which of the following expressions is correct?

- A) $AE = C + I + G - NX$
B) $AE = C + I + G + NX$
C) $AE = C + I + (G - T) + NX$
D) $AE = C + I + (G - T) - NX$

Answer: <https://biology-forums.com/index.php?topic=1820108>

Question 1871

Most economists believe that the short-run aggregate supply curve

- A) slopes down.
B) slopes up.
C) is a vertical line.
D) is a horizontal line.

Answer: <https://biology-forums.com/index.php?topic=1820133>

Question 1872

Why did banks increase their holdings of excess reserves during the Financial Crisis of 2007-2009?

Answer: <https://biology-forums.com/index.php?topic=1819790>

Question 1873

In investment banking the "spread" is the difference between

- A) the value of a firm's assets and the value of its liabilities.
B) the bid and asked prices on a bond.
C) the price of new capital guaranteed to the issuing firm and the price that can be obtained in the market.
D) the price of a new stock issue and the price of an equivalent new bond issue.

Answer: <https://biology-forums.com/index.php?topic=1819409>

Question 1874

Congress created the Federal Reserve System

- A) to serve as a lender of last resort.
B) to process the receipt of taxes received by the Internal Revenue Service.
C) to regulate the value of the U.S. dollar against foreign currencies.
D) to provide a source of mortgage loans to the residential housing market.

Answer: <https://biology-forums.com/index.php?topic=1819509>

Question 1875

The role of the Commodity Futures Trading Commission is to

- A) set the prices of futures contracts.
B) operate the Chicago Mercantile Exchange.
C) operate the Chicago Board of Trade.
D) monitor potential price manipulation in futures trading.

Answer: <https://biology-forums.com/index.php?topic=1818902>

Question 1876

Under a barter system

- A) each good has many prices.
B) each good has a single price.
C) no prices for goods exist.
D) prices for goods are very stable.

Answer: <https://biology-forums.com/index.php?topic=1818261>

Question 1877

A bubble occurs when

- A) the price of a stock is above its fundamental value.

- B) inside information is used to make profits from trading a company's stock.
C) a company reports profits that are significantly above or below the expectations of financial analysts.
D) the futures price is greater than the price of the underlying asset.

Answer: <https://biology-forums.com/index.php?topic=1818848>

Question 1878

Suppose you are risk loving and you are deciding between two investments. One has a guaranteed return of 5% while the second has a 50% chance of a 10% return and a 50% chance of a 0% return. Which investment would you choose? Why?

Answer: <https://biology-forums.com/index.php?topic=1818513>

Question 1879

The buyer of a futures contract

- A) assumes the short position.
B) assumes the long position.
C) may not sell the contract without the permission of the original seller.
D) has the obligation to deliver the underlying financial instrument at the specified future date.

Answer: <https://biology-forums.com/index.php?topic=1818895>

Question 1880

The role of the financial system is to

- A) channel funds from households and other savers to businesses.
B) protect commercial banks from government regulation.
C) ensure that investment banks remain profitable.
D) provide loans from the Federal Reserve to households and businesses.

Answer: <https://biology-forums.com/index.php?topic=1818226>

Question 1881

All of the following are types of finance companies EXCEPT

- A) government finance.
B) consumer finance.
C) sales finance.
D) business finance.

Answer: <https://biology-forums.com/index.php?topic=1819458>

Question 1882

Speculators are primarily interested in

- A) betting on anticipated changes in prices.
B) reducing their exposure to the risk of price fluctuations.
C) increasing market liquidity.
D) reducing the spread between bid and ask prices on bonds.

Answer: <https://biology-forums.com/index.php?topic=1818864>

Question 1883

Primary dealers are those

- A) permitted to trade directly with the Fed.
B) who work under the account manager at the Federal Reserve Bank of New York.
C) who specialize in selling bonds to small private investors.
D) responsible for assuring that interest rates do not decline unless the FOMC has given specific instructions that they decline.

Answer: <https://biology-forums.com/index.php?topic=1819908>

Question 1884

If the current price of a bond is greater than its face value

- A) an investor will receive a capital gain by holding the bond until maturity.
B) the yield to maturity must be less than the coupon rate.
C) the coupon rate must be less than the current yield.
D) the coupon rate must be equal to the current yield.

Answer: <https://biology-forums.com/index.php?topic=1818432>

Question 1885

A \$10 million open market purchase will increase the monetary base by

- A) \$10 million.
- B) \$10 million times the money multiplier.
- C) \$10 million divided by the money multiplier.
- D) an amount between \$0 and \$10 million, depending on the fraction of the purchase the public wishes to hold as currency.

Answer: <https://biology-forums.com/index.php?topic=1819759>

Question 1886

During the 1800s, the United States experienced _____ growth rates when compared to other countries that had also experienced substantial European immigration.

- A) similar
- B) much lower
- C) significantly higher
- D) negative

Answer: <https://biology-forums.com/index.php?topic=1819133>

Question 1887

Assuming a required reserve ratio of 5%, interest rate on reserves of 1%, and interest rate on loans of 6%, what is the effective cost of the reserve requirement on a \$10,000 deposit?

- A) 0.05%
- B) 0.25%
- C) 0.30%
- D) 1%

Answer: <https://biology-forums.com/index.php?topic=1819678>

Question 1888

Which of the following is a name for when a bank promises to lend funds to a borrower to pay off its commercial paper?

- A) loan commitment
- B) standby letter of credit
- C) securitization
- D) loan sale

Answer: <https://biology-forums.com/index.php?topic=1819405>

Question 1889

Suppose the required reserve ratio is 8% and the Fed purchases \$100 million worth of Treasury bills from Wells Fargo. By how much is Wells Fargo able to increase its loans?

- A) \$8 million
- B) \$92 million
- C) \$100 million
- D) \$1.25 billion

Answer: <https://biology-forums.com/index.php?topic=1819803>

Question 1890

A one-year discount bond has a face value of \$1,000 and a price of \$925. What is the yield to maturity on the bond? Report using percentages with two decimal places.

Answer: <https://biology-forums.com/index.php?topic=1818438>

Question 1891

When all workers who want jobs have them and the demand for and supply of labor are in equilibrium

- A) the unemployment rate will be zero.
- B) unemployment is at its natural rate.
- C) the economy will be experiencing high rates of inflation.
- D) frictional unemployment will be zero.

Answer: <https://biology-forums.com/index.php?topic=1819846>

Question 1892

Under the expectations theory, an upward-sloping yield curve indicates that investors expect future short-term rates to

- A) fall.
- B) rise.
- C) remain constant.

D) either rise or remain constant.

Answer: <https://biology-forums.com/index.php?topic=1818713>

Question 1893

Which of the following is a single statistic that summarizes a rating agency's view of the issuer's likely ability to make the required payments on its bonds?

- A) grade
- B) bond rating
- C) speculation
- D) yield

Answer: <https://biology-forums.com/index.php?topic=1818668>

Question 1894

Suppose one person buys a copy of Consumer Reports and gives away free copies to all who request one. This is an example of

- A) the free rider problem.
- B) moral hazard.
- C) adverse selection.
- D) economies of scale.

Answer: <https://biology-forums.com/index.php?topic=1819193>

Question 1895

Suppose interest rates in the U.S. are 3% while interest rates on comparable bonds in Japan are 1%. By how much is the exchange rate between the yen and dollar expected to change according to the interest-rate parity condition?

Answer: <https://biology-forums.com/index.php?topic=1819121>

Question 1896

In what way can the stock market affect the overall economy?

- A) It's an important source of funds for corporations.
- B) It can affect consumer and business sentiment.
- C) It is an important factor affecting consumer wealth and thus consumer spending.
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=1818746>

Question 1897

If i is the yield to maturity of a fixed-payment loan

- A) the value of the loan today equals i times the sum of the values of all the loan payments.
- B) i equals the present value of the loan payments.
- C) the value of the loan today equals the sum of the values of the loan payments.
- D) the value of the loan today equals the present value of the loan payments discounted at rate i .

Answer: <https://biology-forums.com/index.php?topic=1818431>

Question 1898

The margin requirement set by the Federal Reserve is the

- A) proportion of the purchase price of a security that an investor must pay in cash.
- B) difference between the interest rate banks may charge on loans and the interest rate they receive from deposits.
- C) same thing as the required reserve ratio on deposits.
- D) difference banks must maintain between the value of their assets and the value of their liabilities.

Answer: <https://biology-forums.com/index.php?topic=1819660>

Question 1899

Futures trading has traditionally been conducted by

- A) the New York Stock Exchange.
- B) the Chicago Board of Trade and the New York Mercantile Exchange.
- C) the London Stock Exchange.
- D) the Omaha Grain Exchange.

Answer: <https://biology-forums.com/index.php?topic=1818899>

Question 1900

Which of the following statements about junk bonds is FALSE?

- A) Given the likelihood of default, it is never profitable to purchase junk bonds.
- B) They pay higher interest rates than investment grade bonds due to higher perceived risk.
- C) Prior to the 1970s, corporations were unable to issue junk bonds.
- D) In October 2016, the average yield on junk bonds was more than twice the average yield on investment grade bonds.

Answer: <https://biology-forums.com/index.php?topic=1818675>

Question 1901

In the United States, the stake of top management in firms' ownership usually is

- A) less than 5%.
- B) more than 25%.
- C) more than 50%.
- D) more than 75%.

Answer: <https://biology-forums.com/index.php?topic=1819199>

Question 1902

If the Fed wants to increase the value of the dollar, it will

- A) sell foreign securities and buy dollars in international currency markets.
- B) buy foreign securities and sell dollars in international currency markets.
- C) buy foreign securities and also buy dollars in international currency markets.
- D) sell foreign securities and also sell dollars in international currency markets.

Answer: <https://biology-forums.com/index.php?topic=1819997>

Question 1903

Which best describes the relationship between the cost of acquiring information and return?

- A) A high return must compensate for a high cost of acquiring information.
- B) A higher cost of information corresponds with a low return.
- C) A low cost of acquiring information corresponds with a high return.
- D) A higher return results in a lower cost of acquiring information.

Answer: <https://biology-forums.com/index.php?topic=1818498>

Question 1904

Why do bank panics normally lead to recessions?

Answer: <https://biology-forums.com/index.php?topic=1819547>

Question 1905

Businesses hold substantial balances in demand deposits for all of the following reasons EXCEPT

- A) they cannot hold NOW accounts.
- B) the existence of low transactions costs.
- C) to maintain liquidity.
- D) relatively high interest rates.

Answer: <https://biology-forums.com/index.php?topic=1819298>

Question 1906

Which of the following countries does NOT use the euro?

- A) Estonia
- B) Belgium
- C) Finland
- D) United Kingdom

Answer: <https://biology-forums.com/index.php?topic=1820092>

Question 1907

Excess reserves equal

- A) total reserves less required reserves.
- B) required reserves less total reserves.
- C) total reserves plus required reserves.
- D) required reserves divided by total reserves.

Answer: <https://biology-forums.com/index.php?topic=1819320>

Question 1908

What is the yield to maturity of a perpetuity with a coupon of \$40 and a price of \$800?

Answer: <https://biology-forums.com/index.php?topic=1818436>

Question 1909

Suppose First National Bank makes a one-year simple loan of \$1,000 at 7% interest to Harry's Restaurant. At the end of one year Harry's Restaurant will pay First National

- A) \$934.58.
- B) \$1,007.
- C) \$1,070.
- D) \$1,700.

Answer: <https://biology-forums.com/index.php?topic=1818396>

Question 1910

The current yield is equal to

- A) the coupon divided by the market price of the bond.
- B) the yield to maturity, if the bond is a coupon bond.
- C) the coupon divided by the par value of the bond.
- D) the market price of the bond divided by its par value.

Answer: <https://biology-forums.com/index.php?topic=1818409>

Question 1911

The situation in which investors choose to put their funds in a safe asset during uncertain times is known as

- A) hedging.
- B) speculation.
- C) flight to quality.
- D) arbitrage.

Answer: <https://biology-forums.com/index.php?topic=1819094>

Question 1912

If pepperoni pizzas sell for \$10 in Berkeley, California, and £10 in London, England, and the exchange rate is \$1.35 = £1

- A) the law of one price has been violated.
- B) either the British government or the American government must be interfering with the market determination of the exchange rate.
- C) the value of the dollar versus the pound is likely to rise.
- D) there is no contradiction in the information given because pizza is not a tradeable good.

Answer: <https://biology-forums.com/index.php?topic=1819041>

Question 1913

What is a primary reason for the yield on 3-month Treasury bills being low during recessions?

- A) low risk premium
- B) the Fed pushing short-term interest rates down
- C) rising inflation
- D) the inversion of the yield curve

Answer: <https://biology-forums.com/index.php?topic=1818718>

Question 1914

The risk that the party on the other side of a financial transaction fails to meet its obligation is called

- A) credit risk.
- B) currency risk.
- C) counterparty risk.
- D) leverage.

Answer: <https://biology-forums.com/index.php?topic=1819427>

Question 1915

Speculators who think the euro is likely to decline over the next year can take all of the following actions EXCEPT

- A) buying put options on euros.
- B) selling euro futures contracts.
- C) selling euro forward contracts.
- D) buying call options on euros.

Answer: <https://biology-forums.com/index.php?topic=1819105>

Question 1916

A bank lending depositors' money to a local business and a pension fund investing contributions in shares of a company are similar financial activities in that

- A) both involve the use of financial markets.
- B) both involve funds being channeled from savers to borrowers through financial intermediaries.
- C) both involve a reduction in the overall level of liquidity in the financial system.
- D) both involve in an increase in the overall level of risk in the financial system.

Answer: <https://biology-forums.com/index.php?topic=1818202>

Question 1917

Bitcoin is a form of

- A) commodity money.
- B) legal tender.
- C) e-money.
- D) all of the above.

Answer: <https://biology-forums.com/index.php?topic=1818324>

Question 1918

The Federal Reserve System was created in response to

- A) the stock market crash of 1929.
- B) the ending of the Civil War.
- C) the banking panic of 1907.
- D) difficulties of the free-banking era.

Answer: <https://biology-forums.com/index.php?topic=1819387>

Question 1919

Suppose a coupon bond with a par value of \$1,000 is currently priced at \$950 and has a coupon of \$40. Which of the following is TRUE?

- A) current yield > coupon rate
- B) current yield < coupon rate
- C) Coupon rate has risen.
- D) Coupon rate has declined.

Answer: <https://biology-forums.com/index.php?topic=1818407>

Question 1920

Issuers of coupon bonds

- A) make a single payment of principal when the bonds matures, but multiple payments of interest over the life of the bond.
- B) make a single payment of interest and principal.
- C) make multiple payments of principal, but a single payment of interest.
- D) make a single payment of principal at the time the bond is issued and multiple payments of interest over the life of the bond.

Answer: <https://biology-forums.com/index.php?topic=1818392>

Question 1921

All of the following took place during the economic crisis that began in 2007 EXCEPT

- A) the financial system was disrupted.
- B) large portions of the U.S. economy were cut off from the funds they needed to thrive.
- C) there was a devastating decline in the production of goods and services throughout the economy.
- D) unlike households, most businesses still had easy access to funds.

Answer: <https://biology-forums.com/index.php?topic=1818218>

Question 1922

How does hedging affect the flow of funds in the financial system?

- A) It reduces it since it is a sign that investors do not like risk.
- B) It reduces it because it increases risk by encouraging speculation.
- C) It increases it because it reduces risk thus encouraging more people to make financial investments.
- D) It increases it by encouraging more speculation.

Answer: <https://biology-forums.com/index.php?topic=1818867>