

### Question 1

For a given return on assets, the lower is bank capital

- A) the lower is the return for the owners of the bank.
- B) the lower is the credit risk for the owners of the bank.
- C) the higher is the return for the owners of the bank.
- D) the lower the possibility of bank failure.

Answer: <https://biology-forums.com/index.php?topic=370265>

### Question 2

The reason that economists are so interested in the stability of velocity is because if the demand for money is not stable, then steady growth of the money supply

- A) is an ineffective way to conduct monetary policy.
- B) is going to promote price stability at the expense of low unemployment.
- C) can still be used to conduct monetary policy if the goal is price stability.
- D) is going to promote low unemployment at the expense of price stability.

Answer: <https://biology-forums.com/index.php?topic=371686>

### Question 3

If the economy is on the IS curve, but is to the right of the LM curve, aggregate output will \_\_\_\_\_ and the interest rate will \_\_\_\_\_.

- A) rise; rise
- B) rise; fall
- C) fall; rise
- D) fall; fall

Answer: <https://biology-forums.com/index.php?topic=372164>

### Question 4

The higher a security's price in the secondary market the \_\_\_\_\_ funds a firm can raise by selling securities in the \_\_\_\_\_ market.

- A) more; primary
- B) less; secondary
- C) less; primary
- D) more; secondary

Answer: <https://biology-forums.com/index.php?topic=369440>

### Question 5

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 authorized investors to bring lawsuits against credit-rating agencies for a reckless failure to get the facts when providing a credit rating. This is an example of which remedy of conflicts of interest?

- A) regulate for transparency
- B) supervisory oversight
- C) leave it to the market
- D) socialization of information production

Answer: <https://biology-forums.com/index.php?topic=370835>

### Question 6

In the basic closed-economy ISLM model, the goods market can be described by the

- A) investment function.
- B) government spending and tax.
- C) goods market equilibrium condition.
- D) consumption function.
- E) all of the above.

Answer: <https://biology-forums.com/index.php?topic=372228>

### Question 7

Movements of \_\_\_\_\_ interest rates indicate that, contrary to the early Keynesians' beliefs, monetary policy was \_\_\_\_\_ during the Great Depression.

- A) nominal; easy
- B) real; easy

- C) nominal; tight  
D) real; tight

Answer: <https://biology-forums.com/index.php?topic=371926>

### Question 8

The evidence on the interest sensitivity of the demand for money suggests that the demand for money is \_\_\_\_\_ to interest rates, and there is \_\_\_\_\_ evidence that a liquidity trap exists.

- A) insensitive; substantial  
B) insensitive; little  
C) sensitive; substantial  
D) sensitive; little

Answer: <https://biology-forums.com/index.php?topic=371680>

### Question 9

An investment bank purchases securities from a corporation at a predetermined price and then resells them in the market. This process is called

- A) underwriting.  
B) undertaking.  
C) underhanded.  
D) understanding.

Answer: <https://biology-forums.com/index.php?topic=369523>

### Question 10

What makes the Federal Reserve so unique compared to other central banks around the world is its

- A) centralized structure.  
B) regulatory functions.  
C) decentralized structure.  
D) monetary policy functions.

Answer: <https://biology-forums.com/index.php?topic=370841>

### Question 11

When we say that money is a stock variable, we mean that

- A) the quantity of money is measured at a given point in time.  
B) it is sold in the equity market.  
C) we must attach a time period to the measure.  
D) money never loses purchasing power.

Answer: <https://biology-forums.com/index.php?topic=369550>

### Question 12

When compared to exchange systems that rely on money, disadvantages of the barter system include

- A) lowering the cost of exchanging goods over time.  
B) lowering the cost of exchange to those who would specialize.  
C) the requirement of a double coincidence of wants.  
D) encouraging specialization and the division of labor.

Answer: <https://biology-forums.com/index.php?topic=369558>

### Question 13

The Federal Reserve Act of 1913 required all \_\_\_\_\_ banks to become members of the Federal Reserve System, while \_\_\_\_\_ banks could choose to become members of the system.

- A) state; national  
B) state; municipal  
C) national; municipal  
D) national; state

Answer: <https://biology-forums.com/index.php?topic=370448>

### Question 14

Which of the following statements is FALSE?

- A) The bank's assets provide the bank with income.

- B) Bank capital is recorded as an asset on the bank balance sheet.  
C) A bank issues liabilities to acquire funds.  
D) A bank's assets are its uses of funds.

Answer: <https://biology-forums.com/index.php?topic=370178>

### Question 15

- The volume of loans that the Fed makes to banks is affected by the Fed's setting of the interest rate on these loans, called the
- A) federal funds rate.  
B) interbank rate.  
C) prime rate.  
D) discount rate.

Answer: <https://biology-forums.com/index.php?topic=371084>

### Question 16

- The IS curve shifts to the left when
- A) autonomous planned investment spending increases.  
B) the money supply increases.  
C) government spending increases.  
D) taxes increase.

Answer: <https://biology-forums.com/index.php?topic=372069>

### Question 17

- A decrease in \_\_\_\_\_ leads to an equal \_\_\_\_\_ in the monetary base in the short run.
- A) discount loans; increase  
B) Treasury deposits at the Fed; decrease  
C) float; decrease  
D) float; increase

Answer: <https://biology-forums.com/index.php?topic=370955>

### Question 18

- Which of the following policy measures required the SEC to prevent issuers of asset-backed securities from choosing the credit-rating agencies that will give them the highest rating and supported earlier initiatives by the SEC?
- A) the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010  
B) Sarbanes-Oxley Act of 2002  
C) Global Legal Settlement of 2002  
D) Gramm-Leach-Bliley Act of 1999  
E) Riegle-Neal Act of 1994

Answer: <https://biology-forums.com/index.php?topic=370820>

### Question 19

- The Fed's lender-of-last-resort function
- A) creates a moral hazard problem.  
B) is no longer necessary due to FDIC insurance.  
C) has proven to be ineffective.  
D) cannot prevent runs by large depositors.

Answer: <https://biology-forums.com/index.php?topic=371225>

### Question 20

- The combination of a successful wage push by workers and the government's commitment to high employment leads to
- A) supply-shock inflation.  
B) supply-side inflation.  
C) cost-push inflation.  
D) demand-pull inflation.

Answer: <https://biology-forums.com/index.php?topic=371851>