# Feedback — Week Eight Quiz

Help

You submitted this quiz on **Sun 9 Mar 2014 6:57 AM PDT**. You got a score of **23.00** out of **23.00**.

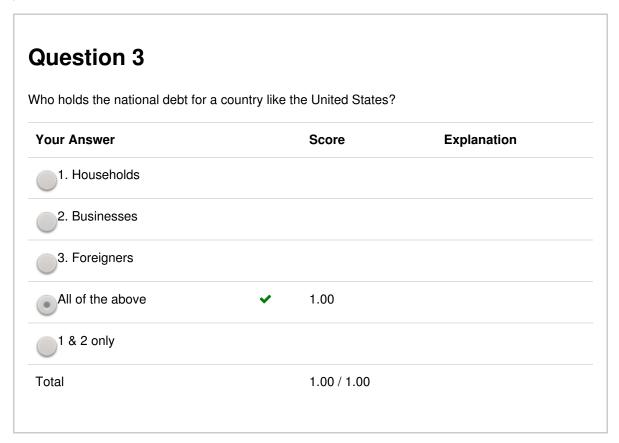
classical economists argue that:			
Your Answer		Score	Explanation
Budget deficits are a necessary byproduct of an expansionary fiscal policy during recessions.			
Budget deficits are bad and should be avoided except in wartime.	~	1.00	
Budget deficits are normal for any developed economy			
Don't know			
Total		1.00 / 1.00	

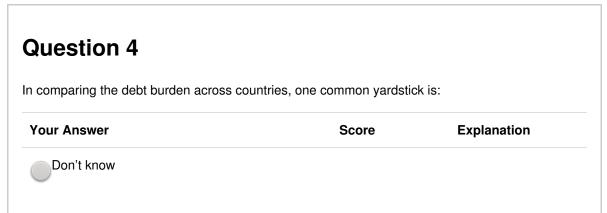
## **Question 2**

How is government debt calculated?

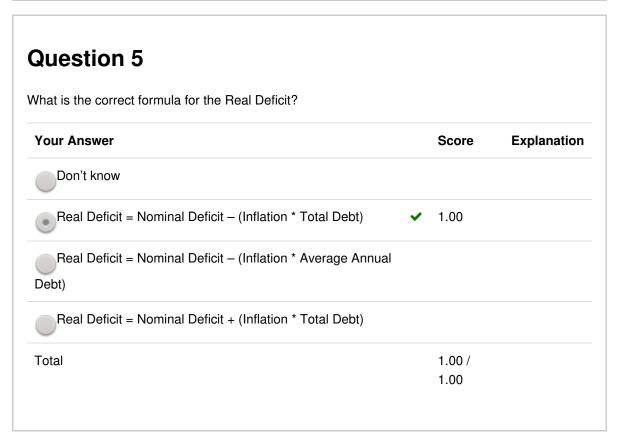
Your Answer		Score	Explanation
The accumulated budget deficits minus the accumulated surpluses.	~	1.00	
The accumulated budget deficits plus the accumulated			

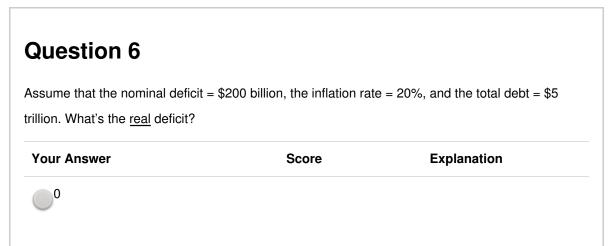
surpluses.		
The accumulated budget deficits times the accumul surpluses.	ated	
Don't know		
Total	1.00 /	
	1.00	



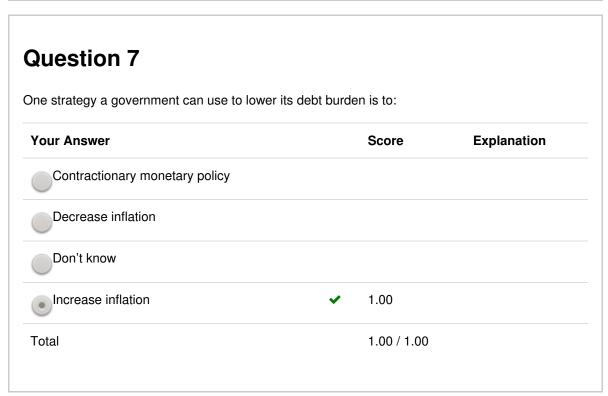


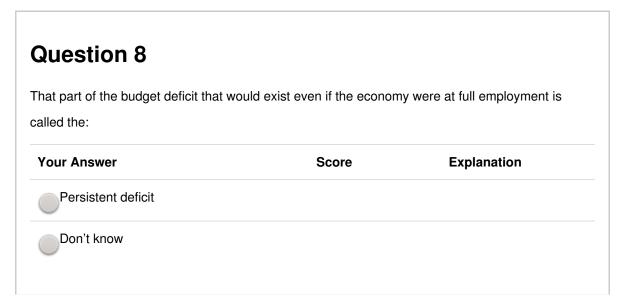
Real GDP		
Nominal GDP		
The Debt-to-GDP Ratio	<b>~</b>	1.00
Total		1.00 / 1.00



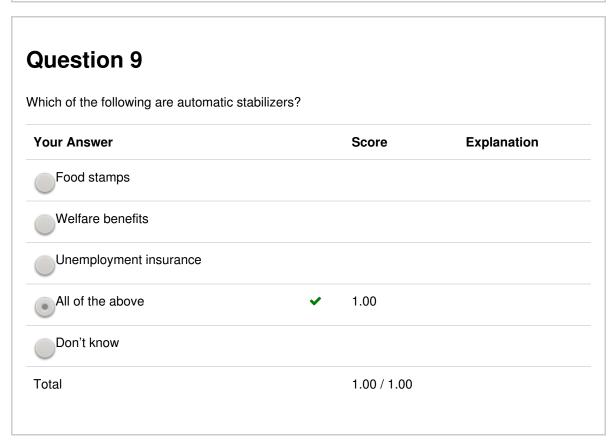


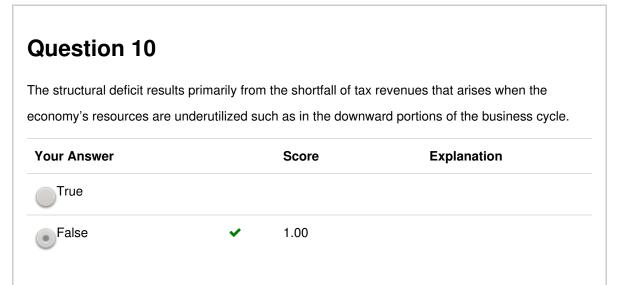
Don't know		
-\$400 billion		
-\$800 billion	~	1.00
Total		1.00 / 1.00



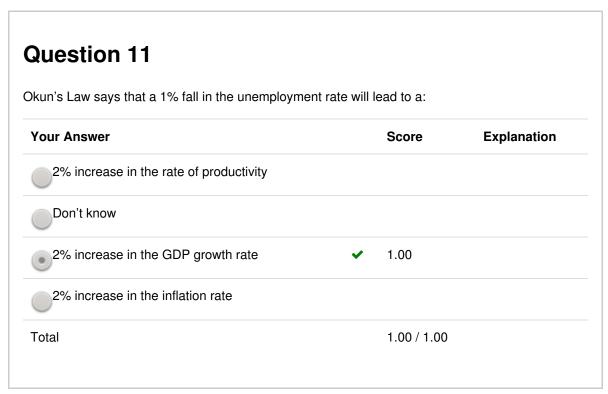


Structural deficit	<b>~</b>	1.00
Cyclical deficit		
Total		1.00 / 1.00









### **Question 12**

Suppose the GDP = \$10 trillion, the budget deficit = \$100 billion, the unemployment rate = 7%, the natural rate of unemployment is 6%, and the marginal tax rate = 30%. Which portion of the deficit is cyclical?

Your Answer		Score	Explanation
\$40 billion			
\$20 billion			
\$60 billion	~	1.00	
Don't know			

Total 1.00 / 1.00

### **Question 13**

Suppose you are attempting to calculate the structural component of the budget deficit. In your calculations, will that structural deficit be higher or lower at a 4% natural rate of unemployment as opposed to a 6% rate?

Your Answer		Score	Explanation
Higher			
Don't know			
The same			
Lower	<b>~</b>	1.00	
Total		1.00 / 1.00	

## **Question 14**

Three major ways to finance a budget deficit include:

Your Answer	Score	Explanation
1. Lower taxes		
2. Borrow money		
3. Print money		
All of the above		
2 & 3 only	✓ 1.00	

Don't know		
Total	1.00 / 1.00	

# Question 15 Suppose the government institutes a \$10 billion stimulus and finances that stimulus package by raising taxes by \$10 billion. Suppose further the MPC = .5. What will be the net stimulus? Your Answer Score Explanation Don't know \$20 billion ✓ 1.00 \$10 billion ✓ 1.00 Total 1.00 / 1.00

Question 16		
Crowding out" refers to:		
Your Answer	Score	Explanation
The reduction in both G and I when interest rates rise		
The reduction in I that may come when G is increased	<b>✓</b> 1.00	
The reduction in G that may come when I is increased		
Don't know		

Total

1.00 / 1.00

Question 17

The view that crowding out is almost complete so that fiscal policy is totally ineffective is associated with what school of macroeconomics?

Your Answer Score Explanation

Don't know

Monetarists 

1.00

Libertarians

Keynesians

Total

1.00 / 1.00

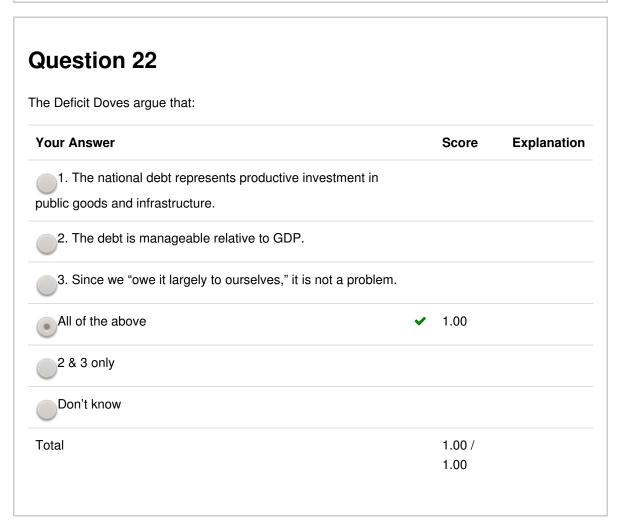
# Question 18 To avoid crowding out, the Federal Reserve "accommodates" the Treasury's expansionary fiscal policy by: Your Answer Score Explanation Contracting the money supply Buying Treasury securities ✓ 1.00 Don't know Selling Treasury securities Total 1.00 / 1.00

# Question 19 What can derail the Fed's plans when it tries to avoid crowding out by accommodating government fiscal policy? Your Answer Score Explanation Rising productivity Unemployment Don't know Inflation ✓ 1.00 Total 1.00 / 1.00

sudget deficits can cause trade deficits if:		
Your Answer	Score	Explanation
Don't know		
Deficit financing lowers interest rates and raises the value of the dollar		
Deficit financing raises interest rates and lowers the value of the dollar		
Deficit financing raises interest rates and raises the value of the dollar	<b>✓</b> 1.00	
Total	1.00 /	
	1.00	

he Deficit Hawks argue that:			
Your Answer		Score	Explanation
Internal debt leads to higher taxes			
2. Internal debt redistributes income from the poor to the rich			
3. Servicing the debt cuts government services			
All of the above	<b>~</b>	1.00	
2 & 3 only			

Total	1.00 /	
	1.00	



### **Question 23**

A balanced budget amendment would require the government to balance the budget during a recession by increasing taxes or by cutting spending. The result would be:

Your Answer	Score	Explanation
Don't know		
No effect on growth		



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