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## Feedback — Week Two Quiz

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You submitted this quiz on **Wed 15 Jan 2014 2:05 PM PST**. You got a score of **28.00** out of **28.00**.

### Question 1

The Classical versus Keynesian controversy is primarily a dispute about:

Your Answer	Score	Explanation
<input type="radio"/> Whether tax cuts or increased government spending should be used to stimulate an economy		
<input type="radio"/> How the free market works		
<input type="radio"/> Not sure		
<input checked="" type="radio"/> How economies adjust and find their way back to full employment	✓ 1.00	
Total	1.00 / 1.00	

### Question 2

The Classical view is that:

Your Answer	Score	Explanation
<input checked="" type="radio"/> A price adjustment mechanism will bring the economy back to full employment	✓ 1.00	

☐ An income adjustment mechanism will bring the economy back to full employment

☐ A currency adjustment mechanism will bring the economy back to full employment

☐ Not sure/don't know

Total	1.00 /
	1.00

### Question 3

Laissez Faire economists believe:

Your Answer	Score	Explanation
<input checked="" type="radio"/> A relatively small government sector is best	✓ 1.00	
<input type="radio"/> A relatively big government sector is best		
<input type="radio"/> No government is best		
<input type="radio"/> Not sure		
Total	1.00 / 1.00	

### Question 4

Classical economics views unemployment:

Your Answer	Score	Explanation
<input checked="" type="radio"/> As a natural part of the business cycle and is self-correcting	✓ 1.00	

☐ As an aberration that government must fix

☐ As healthy because it keeps wages low

☐ Not sure

Total

1.00 /

1.00

## Question 5

John Maynard Keynes believed that:

**Your Answer**

**Score**

**Explanation**

☐ Unemployment would be solved by tax increases

☐ Unemployment would be solved through adjustments in wages and prices

☐ Not sure

☒ Unemployment would be solved through government expenditures



1.00

Total

1.00 /

1.00

## Question 6

Say's Law says that:

**Your Answer**

**Score**

**Explanation**

☐ Supply must always exceed demand to curb inflation

☐ Demand creates its own supply

☐ Not sure

☒ Supply creates its own demand

✓ 1.00

Total

1.00 / 1.00

## Question 7

The equation  $PQ=MV$  is referred to as:

**Your Answer**

**Score**

**Explanation**

☐ The Velocity Theory of Money

☐ The Price Theory of Money

☐ Not sure

☒ The Quantity Theory of Money

✓ 1.00

Total

1.00 / 1.00

## Question 8

Who stated this critique of Say's Law: "If people don't spend all of their money, there will be a glut of goods and people would be out of work."

**Your Answer**

**Score**

**Explanation**

☐ David Ricardo

☐ Adam Smith

☐ Not sure☒ Thomas Malthus

1.00

Total

1.00 / 1.00

## Question 9

Say and the Classical Economists believed what had to adjust for unemployment to go away?

Your Answer	Score	Explanation
<input type="radio"/> 1. Interest rates		
<input type="radio"/> 2. Prices		
<input type="radio"/> 3. Wages		
<input checked="" type="radio"/> All of the above	✓ 1.00	
<input type="radio"/> 1 & 2 only		
Total	1.00 / 1.00	

## Question 10

How is real, inflation-adjusted output measured in the equation of exchange?

Your Answer	Score	Explanation
<input checked="" type="radio"/> PQ	✓ 1.00	
<input type="radio"/> P/Q		
<input type="radio"/> MV		

☐ Not sure☐ M/P

Total

1.00 / 1.00

## Question 11

If the quantity of money increases in the quantity theory of money equation, what must increase?

Your Answer	Score	Explanation
<input type="radio"/> Velocity		
<input type="radio"/> Quantity		
<input type="radio"/> Not sure		
<input checked="" type="radio"/> Price	✓ 1.00	
Total	1.00 / 1.00	

## Question 12

The veil of money assumption means that:

Your Answer	Score	Explanation
<input checked="" type="radio"/> Real output is not influenced by the money supply	✓ 1.00	
<input type="radio"/> Increasing M will increase Q		
<input type="radio"/> Nominal output is not influenced by the money supply		
<input type="radio"/> Not sure		

Total

1.00 / 1.00

## Question 13

Keynes believed that the Classical economist's price adjustment mechanism would:

Your Answer	Score	Explanation
<input type="radio"/> Work together with the income adjustment mechanism to cure recessions		
<input type="radio"/> Solve the Great Depression through the quantity of money equation		
<input type="radio"/> Not sure		
<input checked="" type="radio"/> eBy dwarfed by a more powerful income adjustment mechanism	✓ 1.00	
Total	1.00 / 1.00	

## Question 14

To Keynes, recessions are caused by a fall in:

Your Answer	Score	Explanation
<input type="radio"/> 1. Consumption		
<input type="radio"/> 2. Investment		
<input type="radio"/> 3. Savings		
<input checked="" type="radio"/> All of the above	✓ 1.00	

☐ 1 & 2 only

Total

1.00 / 1.00

## Question 15

The AS-AD framework:

Your Answer	Score	Explanation
<input type="radio"/> Is independent of prices		
<input type="radio"/> Assumes prices are fixed		
<input type="radio"/> Not sure		
<input checked="" type="radio"/> Allows for price adjustments	✓ 1.00	
Total	1.00 / 1.00	



## Question 16

Which statement is true?

Your Answer	Score	Explanation
<input type="radio"/> The aggregate demand curve slopes upward		
<input type="radio"/> The aggregate demand curve is a horizontal line		
<input type="radio"/> Not sure		
<input checked="" type="radio"/> The aggregate demand curve slopes downward	✓ 1.00	
Total	1.00 / 1.00	

## Question 17

The “real balance” or “wealth effect” means that as prices fall:

Your Answer	Score	Explanation
<input type="radio"/> Purchasing power stays the same		
<input type="radio"/> Purchasing power falls		
<input type="radio"/> Not sure		
<input checked="" type="radio"/> Purchasing power rises	✓ 1.00	
Total	1.00 / 1.00	

## Question 18

The “net export effect” means that as domestic prices falls:

Your Answer	Score	Explanation
<input type="radio"/> 1. Exports rise		
<input type="radio"/> 2. Imports fall		
<input type="radio"/> 3. Aggregate quantity demanded decreases		
<input type="radio"/> All of the above		
<input checked="" type="radio"/> 1 & 2 only	✓ 1.00	
Total	1.00 / 1.00	

## Question 19

The aggregate demand curve will shift out or to the right if:

Your Answer	Score	Explanation
<input type="radio"/> 1. Taxes are cut		
<input type="radio"/> 2. Interest rates fall		
<input type="radio"/> 3. Excess capacity rises		
<input type="radio"/> All of the above		
<input checked="" type="radio"/> 1 & 2 only	✓ 1.00	
Total	1.00 / 1.00	

## Question 20

The aggregate demand curve will shift in or to the left if:

Your Answer	Score	Explanation
<input checked="" type="radio"/> Excess capacity increases	✓ 1.00	
<input type="radio"/> Consumer confidence improves		
<input type="radio"/> Not sure		
<input type="radio"/> Government spending rises		
Total	1.00 / 1.00	

## Question 21

The aggregate supply curve:

Your Answer	Score	Explanation
<input type="radio"/> Is a horizontal line		
<input type="radio"/> Slopes down		
<input type="radio"/> Not sure		
<input checked="" type="radio"/> Slopes up	✓ 1.00	
Total	1.00 / 1.00	

## Question 22

Which way will the aggregate supply shift if the price of imported oil rises?

Your Answer	Score	Explanation
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☐ Right☐ Out☐ Not sure☒ In

1.00

Total

1.00 / 1.00

## Question 23

Cost-push inflation:

Your Answer	Score	Explanation
<input type="radio"/> 1. Shifts the aggregate supply curve in		
<input type="radio"/> 2. Increases prices		
<input type="radio"/> 3. Increases output		
<input type="radio"/> All of the above		
<input checked="" type="radio"/> 1 & 2 only	✓ 1.00	
Total	1.00 / 1.00	

## Question 24

Which event will shift the aggregate supply curve in?

Your Answer	Score	Explanation
<input checked="" type="radio"/> 1. An increase in the excise tax	✓ 1.00	

☐ 2. A decrease in the sales tax

☐ 3. A decrease in the payroll tax

☐ 1 & 2 only

☐ Not sure

Total

1.00 / 1.00

## Question 25

In which range of the economy are prices fixed?

Your Answer	Score	Explanation
<input type="radio"/> Classical range		
<input type="radio"/> Intermediate range		
<input type="radio"/> Not sure		
<input checked="" type="radio"/> Keynesian range	✓ 1.00	
Total	1.00 / 1.00	

## Question 26

In the Classical range of the economy, expansionary fiscal policy will lead to:

Your Answer	Score	Explanation
<input type="radio"/> A small increase in the price level and a large increase in output		

☐ A large increase in the price level and a small increase in output

☐ A large increase in output only

☒ A large increase in the price level only ✓ 1.00

Total 1.00 /  
1.00

## Question 27

In the Intermediate range of the economy, there is:

Your Answer	Score	Explanation
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☒ Any increase in output results in an increase in the price level ✓ 1.00

☐ Any increase in output results in a decrease in the price level

☐ Any increase in output has no impact on the price level

☐ Not sure

Total 1.00 /  
1.00

## Question 28

The Classical Price Adjustment Mechanism will return the economy to full employment at:

Your Answer	Score	Explanation
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☐ With no impact on the price level

<input type="radio"/> A higher price level		
<input type="radio"/> Not sure		
<input checked="" type="radio"/> A lower price level	✓	1.00
Total		1.00 / 1.00

