

## Feedback — Week Three Quiz

[Help](#)

You submitted this quiz on **Sun 2 Feb 2014 2:57 PM PST**. You got a score of **39.00** out of **39.00**.

### Question 1

Fiscal policy:

Your Answer	Score	Explanation
<input type="radio"/> Not sure		
<input type="radio"/> Uses changes in the size of the trade deficit to stimulate or contract the economy.		
<input type="radio"/> Uses changes in the money supply to stimulate or contract the economy		
<input checked="" type="radio"/> Uses changes in government expenditures and taxes to stimulate the economy	✓ 1.00	
Total	1.00 / 1.00	

### Question 2

Stagflation:

Your Answer	Score	Explanation
<input type="radio"/> Not sure		
<input type="radio"/> Validated the use of Keynesian economics		

<input type="radio"/>	Validated the use of Monetarism		
<input checked="" type="radio"/>	Showed that Keynesian solutions didn't always work	✓	1.00
Total		1.00 / 1.00	

### Question 3

The fixed price assumption is valid in the Intermediate range of the economy because:

Your Answer	Score	Explanation
<input type="radio"/> Not sure		
<input type="radio"/> Prices are fixed		
<input type="radio"/> Prices vary a lot with output		
<input checked="" type="radio"/> Prices vary little with output	✓	1.00
Total		1.00 / 1.00

### Question 4

Who was responsible for developing the textbook Keynesian model?

Your Answer	Score	Explanation
<input type="radio"/> Not sure		
<input type="radio"/> Milton Friedman and Arthur Laffer		
<input type="radio"/> Delano Roosevelt		
<input checked="" type="radio"/> Alvin Hansen and Paul Samuelson	✓	1.00

Total

1.00 / 1.00

## Question 5

Which of these is a leakage in the Circular Flow Diagram?

Your Answer	Score	Explanation
<input type="radio"/> Not sure		
<input type="radio"/> Government spending		
<input type="radio"/> Investment		
<input checked="" type="radio"/> Savings	✓ 1.00	
Total	1.00 / 1.00	

## Question 6

Which of these is an injection?

Your Answer	Score	Explanation
<input type="radio"/> Not sure		
<input type="radio"/> Taxes		
<input type="radio"/> Imports		
<input checked="" type="radio"/> Exports	✓ 1.00	
Total	1.00 / 1.00	

# Question 7

Aggregate production

Your Answer	Score	Explanation
<input type="radio"/> 1. Is the total amount of goods and services produced in the economy		
<input type="radio"/> 2. Creates an equal amount of income		
<input type="radio"/> 3. Is a 45 degree line		
<input checked="" type="radio"/> All of the above	✓ 1.00	
<input type="radio"/> 1 & 3 only		
Total	1.00 / 1.00	

## Question 8

Aggregate expenditures

Your Answer	Score	Explanation
<input type="radio"/> 1. Represents total spending		
<input type="radio"/> 2. Equals consumption plus investment plus government spending plus net exports		
<input type="radio"/> 3. Is the horizontal summation of four curves		
<input type="radio"/> All of the above		
<input checked="" type="radio"/> 1 & 2 only	✓ 1.00	
Total	1.00 / 1.00	

## Question 9

Why does the AE curve intersect the vertical axis above zero?

Your Answer	Score	Explanation
<input type="radio"/> Not sure		
<input type="radio"/> Fractional consumption		
<input type="radio"/> Induced consumption		
<input checked="" type="radio"/> Autonomous consumption	✓ 1.00	
Total	1.00 / 1.00	

## Question 10

Which is the largest component of Aggregate Expenditures?

Your Answer	Score	Explanation
<input type="radio"/> Net Exports		
<input type="radio"/> Investment		
<input type="radio"/> Government spending		
<input checked="" type="radio"/> Consumption	✓ 1.00	
Total	1.00 / 1.00	

## Question 11

In the Keynesian consumption function, total consumption equals:

Your Answer	Score	Explanation
<input type="radio"/> Not sure		
<input type="radio"/> Autonomous consumption minus induced consumption		
<input type="radio"/> Autonomous consumption divided by induced consumption		
<input checked="" type="radio"/> Autonomous consumption plus induced consumption	✓ 1.00	
Total	1.00 / 1.00	

## Question 12

The amount of money left after paying taxes to the government is referred to as:

Your Answer	Score	Explanation
<input type="radio"/> Disposable consumption		
<input type="radio"/> Induced consumption		
<input type="radio"/> Disposable consumption		
<input checked="" type="radio"/> Disposable income	✓ 1.00	
Total	1.00 / 1.00	

### Question 13

The extra amount people consume when they receive an extra dollar of disposable income is referred to as the:

Your Answer	Score	Explanation
<input type="radio"/> Not sure		
<input type="radio"/> MPI		
<input type="radio"/> MPS		
<input checked="" type="radio"/> MPC	✓ 1.00	
Total	1.00 / 1.00	

### Question 14

What is the formula for the marginal propensity to save?

Your Answer	Score	Explanation
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☐ Not sure

☐  $MPS = 1 + MPC$

☒  $MPS = 1 - MPC$  ✓ 1.00

☐  $MPS = 1/MPC$

Total 1.00 / 1.00

## Question 15

Suppose people spend 60 cents of every dollar of their disposable income and save 40 cents.  
What is the MPC?

Your Answer	Score	Explanation
<input type="radio"/> .80		
<input type="radio"/> .40		
<input type="radio"/> .20		
<input checked="" type="radio"/> .60	✓ 1.00	
Total	1.00 / 1.00	

## Question 16

The aggregate expenditures curve is flatter than the 45 degree line in the Keynesian model  
because the MPC is:

Your Answer	Score	Explanation
<input type="radio"/> Not sure		



- |  |   |      |
|--|---|------|
| <input type="radio"/> Equal to one             |   |      |
| <input type="radio"/> Greater than one         |   |      |
| <input checked="" type="radio"/> Less than one | ✓ | 1.00 |

Total		1.00 / 1.00
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## Question 17

What is the slope of the consumption function?

- | Your Answer                                 | Score | Explanation |
|---|-------|-------------|
| <input type="radio"/> 1. MPC                |       |             |
| <input type="radio"/> 2. $1 - \text{MPS}$   |       |             |
| <input type="radio"/> 3. MPS                |       |             |
| <input type="radio"/> All of the above      |       |             |
| <input checked="" type="radio"/> 1 & 2 only | ✓     | 1.00        |

Total		1.00 / 1.00
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## Question 18

In the investment function in the Keynesian model, expenditures:

- | Your Answer                            | Score | Explanation |
|--|-------|-------------|
| <input type="radio"/> Not sure         |       |             |
| <input type="radio"/> Rise with income |       |             |

<input type="radio"/> Fall with income		
<input checked="" type="radio"/> Are independent of income	✓	1.00
Total		1.00 / 1.00

## Question 19

Investment increases when:

Your Answer	Score	Explanation
<input type="radio"/> Both prices and interest rates rise		
<input type="radio"/> Not sure		
<input type="radio"/> Interest rates rise		
<input checked="" type="radio"/> Interest rates fall	✓	1.00
Total		1.00 / 1.00

## Question 20

“Animals spirits” in the Keynesian model is important because:

Your Answer	Score	Explanation
<input type="radio"/> 1. If businesses are bearishly pessimistic on the economy, they will cut back on investment		
<input type="radio"/> 2. If businesses are bullishly optimistic on the economy, they will increase investment		
<input type="radio"/> 3. If businesses believe the economy will go bad, it could		

become a self-fulfilling prophecy

☒ All of the above ✓ 1.00

☐ 1 & 2 only

Total 1.00 /  
1.00

## Question 21

Which of these components of the aggregate expenditure function is not represented by a horizontal line?

Your Answer	Score	Explanation
<input type="radio"/> Not sure		
<input type="radio"/> Investment function		
<input type="radio"/> Government function		
<input checked="" type="radio"/> Consumption function	✓ 1.00	
Total	1.00 / 1.00	

## Question 22

Which of these are the primary tools of fiscal policy?

Your Answer	Score	Explanation
<input type="radio"/> 1. Decreased or increased government expenditures		
<input type="radio"/> 2. Decreased or increased taxes		

<input type="radio"/> 3. Decreases or increases in the money supply		
<input type="radio"/> All of the above		
<input checked="" type="radio"/> 1 & 2 only	✓	1.00
Total		1.00 / 1.00

## Question 23

What type of expansionary fiscal policies can be used to close a recessionary gap?

Your Answer	Score	Explanation
<input type="radio"/> 1. A tax cut		
<input type="radio"/> 2. An increase in government expenditures		
<input type="radio"/> 3. A decrease in the money supply		
<input type="radio"/> All of the above		
<input checked="" type="radio"/> 1 & 2 only	✓	1.00
Total		1.00 / 1.00

## Question 24

The purpose of contractionary fiscal policy is to:

Your Answer	Score	Explanation
<input type="radio"/> Not sure		
<input type="radio"/> Fight stagflation		

<input type="radio"/>	Close a recessionary gap		
<input checked="" type="radio"/>	Cool down an overheated economy	✓	1.00
Total			1.00 / 1.00

## Question 25

Transfer payments like unemployment compensation and welfare payments act as automatic stabilizers because:

Your Answer	Score	Explanation
<input type="radio"/> Not sure		
<input type="radio"/> They contract the economy		
<input type="radio"/> They stimulate the economy		
<input checked="" type="radio"/> They automatically rise during recessions and fall during expansions.	✓	1.00
Total	1.00 / 1.00	

## Question 26

Which part of the net export function adds to aggregate expenditures?

Your Answer	Score	Explanation
<input type="radio"/> Not sure		
<input type="radio"/> Exchange rates		

<input type="radio"/> Imports		
<input checked="" type="radio"/> Exports	✓	1.00
Total		1.00 / 1.00

## Question 27

A closed economy excludes:

Your Answer	Score	Explanation
<input type="radio"/> Consumption		
<input type="radio"/> Government expenditures		
<input type="radio"/> Investment		
<input checked="" type="radio"/> Net exports	✓	1.00
Total		1.00 / 1.00

## Question 28

Vertically summing the consumption, investment, and government expenditure curves yields the AE function. It's slope is:

Your Answer	Score	Explanation
<input type="radio"/> MV		
<input type="radio"/> PQ		
<input type="radio"/> The MPS		

☐ Not sure

☒ The MPC ✓ 1.00

Total 1.00 / 1.00

## Question 29

The Keynesian multiplier is greater than one because:

**Your Answer**

**Score**

**Explanation**

☐ Not sure

☐ Induced consumption is less than disposable income

☐ Autonomous consumption is greater than zero

☒ Income is re-spent many times after the initial increase. ✓ 1.00

Total 1.00 / 1.00

## Question 30

Suppose the U.S. permanently decreases defense spending by \$100 billion after troops pull out of Afghanistan. How much will GDP be reduced assuming an MPC of 0.75?

**Your Answer**

**Score**

**Explanation**

☐ \$200 billion

☐ \$300 billion

☐ \$100 billion

<input type="radio"/> \$500 billion		
<input checked="" type="radio"/> \$400 billion	✓	1.00
Total		1.00 / 1.00

## Question 31

Compared to increases in government expenditures, tax cuts have:

Your Answer	Score	Explanation
<input type="radio"/> Not sure		
<input type="radio"/> The same expansionary effect		
<input type="radio"/> More of an expansionary effect		
<input checked="" type="radio"/> Less of an expansionary effect	✓	1.00
Total		1.00 / 1.00

## Question 32

The tax cut multiplier equals:

Your Answer	Score	Explanation
<input type="radio"/> Not sure		
<input type="radio"/> The expenditure multiplier – MPC		
<input type="radio"/> The expenditure multiplier/MPC		
<input checked="" type="radio"/> The expenditure multiplier * MPC	✓	1.00



Total

1.00 / 1.00

### Question 33

Assume a recessionary gap of \$180 billion and an MPS of .25. How much should taxes be cut to close the gap?

Your Answer	Score	Explanation
<input type="radio"/> \$80 billion		
<input type="radio"/> \$20 billion		
<input type="radio"/> \$40 billion		
<input checked="" type="radio"/> \$60 billion	✓ 1.00	
Total	1.00 / 1.00	

## Question 34

Suppose you want to close an inflationary gap of \$100 billion and the MPC is .5. What fiscal policy options are available?

Your Answer	Score	Explanation
<input type="radio"/> Raise taxes by \$50 billion or cut G by \$100 billion		
<input type="radio"/> Cut taxes by \$50 billion or raise G by \$100 billion		
<input type="radio"/> Cut taxes by \$100 billion or raise G by \$50 billion		
<input checked="" type="radio"/> Raise taxes by \$100 billion or cut G by \$50 billion	✓ 1.00	
Total	1.00 / 1.00	

## Question 35

Is it better to cut taxes or increase government expenditures to close a recessionary gap?

Your Answer	Score	Explanation
<input type="radio"/> Not sure		
<input type="radio"/> Increase government expenditures		
<input type="radio"/> Cut taxes		
<input checked="" type="radio"/> It depends on whether you are a conservative or a liberal	✓ 1.00	
Total	1.00 / 1.00	

## Question 36

The paradox of thrift occurs when:

Your Answer	Score	Explanation
<input checked="" type="radio"/> People try to save more during a recession but wind up saving less because their incomes fall	✓ 1.00	
<input type="radio"/> Not sure		
<input type="radio"/> People try to save less during a recession but wind up saving more because their incomes fall		
Total	1.00 / 1.00	

## Question 37

When the government increases its expenditures to close a recessionary gap and finances those expenditures through increased borrowing, this can:

Your Answer	Score	Explanation
<input type="radio"/> Drive up interest rates and investment		
<input type="radio"/> Drive down interest rates and drive up investment		
<input type="radio"/> Drive down interest rates and investment		
<input checked="" type="radio"/> Drive up interest rates and drive down investment	✓ 1.00	
Total	1.00 / 1.00	

## Question 38

Crowding out means that:

Your Answer	Score	Explanation
<input type="radio"/> Not sure		
<input type="radio"/> The net effect of a fiscal policy stimulus is unaffected		
<input type="radio"/> The net effect of a fiscal policy stimulus may be more than intended		
<input checked="" type="radio"/> The net effect of a fiscal policy stimulus may be less than intended	✓ 1.00	
Total	1.00 / 1.00	

## Question 39

A key weakness of the Keynesian model is that it:

Your Answer	Score	Explanation
<input type="radio"/> 1. Assumes prices are fixed		
<input type="radio"/> 2. Assumes away inflation		
<input type="radio"/> 3. Assumes prices are flexible		
<input type="radio"/> All of the above		
<input checked="" type="radio"/> 1 & 2 only	✓ 1.00	
Total	1.00 / 1.00	

