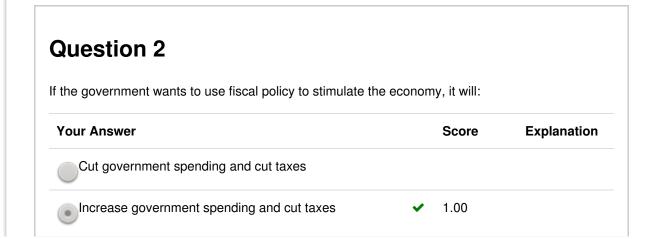
Feedback — FINAL EXAM

Help

You submitted this quiz on **Tue 25 Mar 2014 12:29 PM PDT**. You got a score of **39.00** out of **46.00**. You can attempt again, if you'd like.

Question 1 If consumer confidence falls and unemployment rises, what happens to the probability of a recession? Your Answer Score Explanation It goes down It goes down Not sure It goes up ✓ 1.00 Total 1.00 / 1.00 Question Explanation It goes up

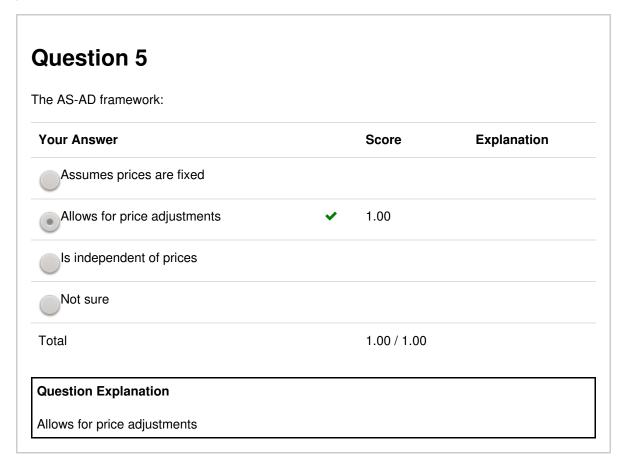


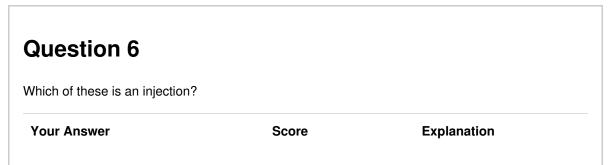
Cut government spending and raise taxes	
Increase government spending and increase to	axes
Total	1.00 / 1.00
Question Explanation	
Increase government spending and cut taxes	

Question 3 The application of a massive fiscal and monetary policy after the Great Recession of 2007: Your Answer Score Explanation Was applauded by the ghost of Milton Friedman Was highly successful Was moderately successful Total 0.00 / 1.00 Question Explanation Was moderately successful

Question 4						
If the quantity of money incre	ases in the quantity theory of m	noney equation, what must increase?				
Your Answer	Score	Explanation				
Not sure						

Quantity		
Price	~	1.00
Velocity		
Total		1.00 / 1.00
Question Explanation		
Price		





Not sure		
Taxes		
Imports		
Exports	~	1.00
Total		1.00 / 1.00
Question Explanation		
Exports		

Suppose people spend 60 cents of every dollar of their disposable income and save 40 cents.

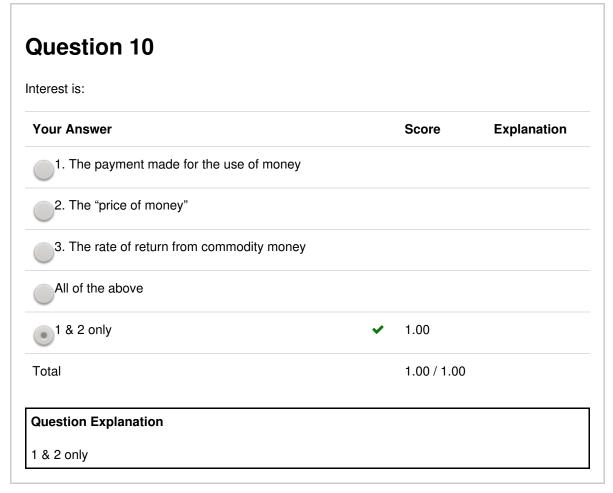
What is the MPC?

Your Answer		Score	Explanation
<u>.60</u>	~	1.00	
.80			
.20			
.40			
Total		1.00 / 1.00	
Question Explanation			
.60			

Question 8

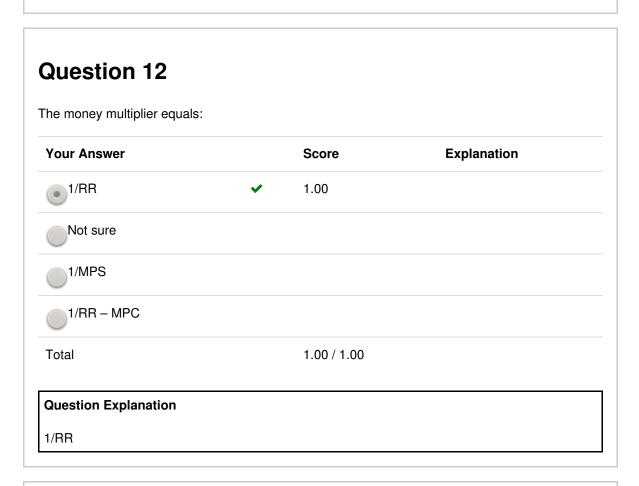
	Score	Explanation
Government function		
Not sure		
Consumption function	1.00	
Investment function		
Total	1.00 / 1.00	

When the government increases its expenditures to close a recessionary gap and finances those expenditures through increased borrowing, this can: Your Answer Score Explanation Drive up interest rates and drive down investment Drive down interest rates and investment Drive up interest rates and drive up investment Total O.00 / 1.00 Question Explanation Drive up interest rates and drive down investment



	appens to the assi	et demand for mone	ey ?
our Answer		Score	Explanation
Increases	×	0.00	
Stays the same			
Not sure			
Decreases			
tal		0.00 / 1.00	

Decreases

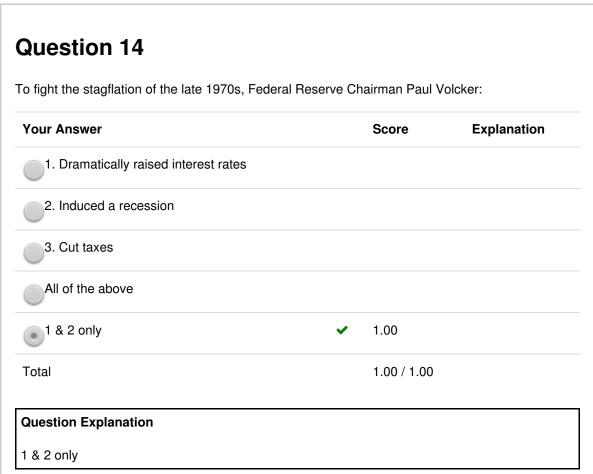


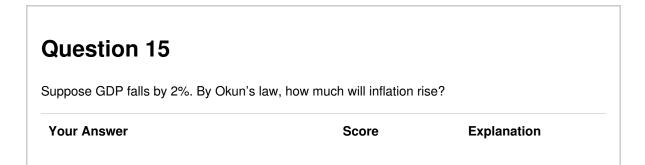
Question 13

The monetary transmission mechanism involves which of the following to close a recessionary gap?

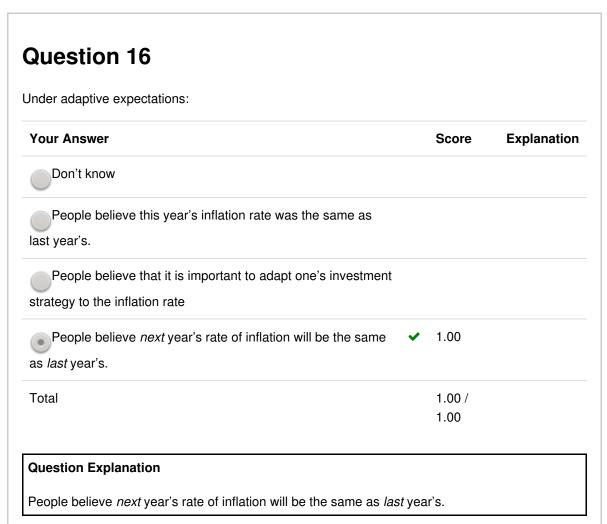
Your Answer	Score	Explanation
1. An increase in the money supply		
2. A fall in interest rates		
3. An increase in investment and consumption		
4. An increase in exports		

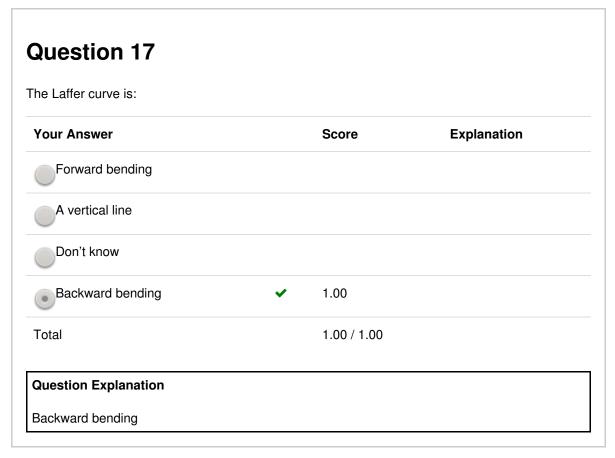






1 %	×	0.00
2%		
3%		
Can't be determined		
Don't know		
Total		0.00 / 1.00
Question Explanation		
Can't be determined		





listorically, the Federal Reserve has focused on:			
Your Answer		Score	Explanation
Lowering short-term interest rates to stimulate investment	~	1.00	
Lowering long-term interest rates to stimulate investment			
Lowering both short and long-term interest rates to stimulate investment			
Don't know			
Total		1.00 /	
		1.00	

Lowering short-term interest rates to stimulate investment

Question 19 When export demand is weak in Europe and the United States because of slow growth, what is likely to happen to China's import demand for commodities such as coal and iron ore? Your Answer Score Explanation Falls ✓ 1.00 Properties Stays the same Don't know Total 1.00 / 1.00 Cuestion Explanation Falls

Question 20

Which school or schools of macroeconomics thought believe that the government should adhere to rules that prohibit it from causing instability in the economy?

Your Answer	Score	Explanation
Keynesians		
Monetarists		
New Classicals		
All the above		



Which school of macroeconomic thought believes the following: Fiscal policy should not be used because increases in government spending are likely to be offset by declines in investment.

Your Answer		Score	Explanation
Monetarists	~	1.00	
Keynesians			
Both			
Don't know			
Total		1.00 / 1.00	
Question Explanation			
Monetarists			

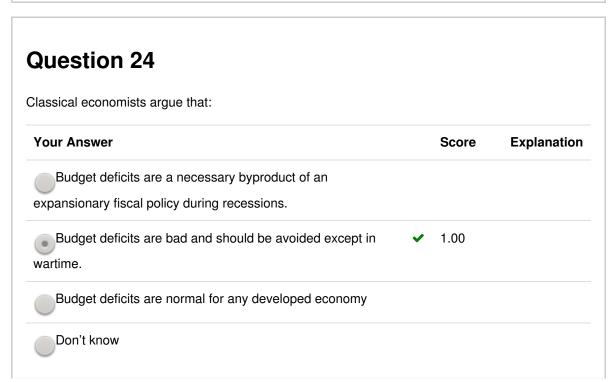
Question 22

Why is it necessary for the government to invest in certain types of projects to fuel growth?

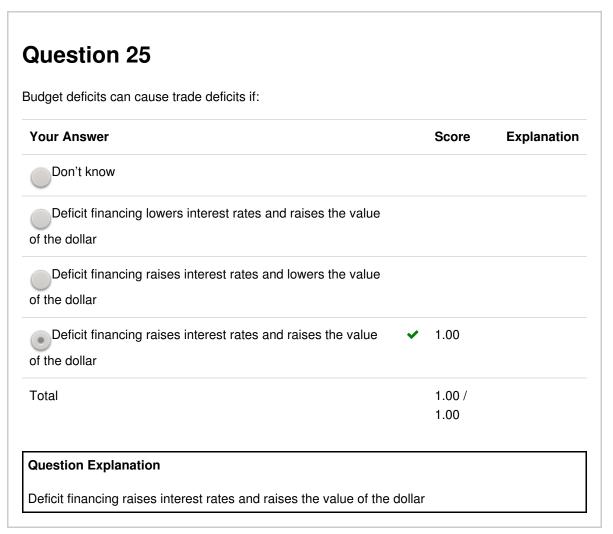
Your Answer Score Explanation

Some government projects involve external benefits that	~	1.00
private firms cannot capture		
Some government projects involve internal benefits that		
private firms cannot capture		
The government has more expertise than private firms as a		
rule		
Don't know		
Total		1.00 /
		1.00
Question Explanation		
Some government projects involve external benefits that private	firms o	cannot capture

Question 23 In the neoclassical growth model, what happens to wages and returns to capital with technological change? **Your Answer Explanation Score** Both wages and the returns to capital rise 1.00 Wages fall and the returns to capital rise Wages rise and the returns to capital fall Both wages and the returns to capital fall Don't know Total 1.00 / 1.00 **Question Explanation** Both wages and the returns to capital rise



Total	1.00 / 1.00	
Question Explanation		
Budget deficits are bad and should be avoided excep	ot in wartime.	



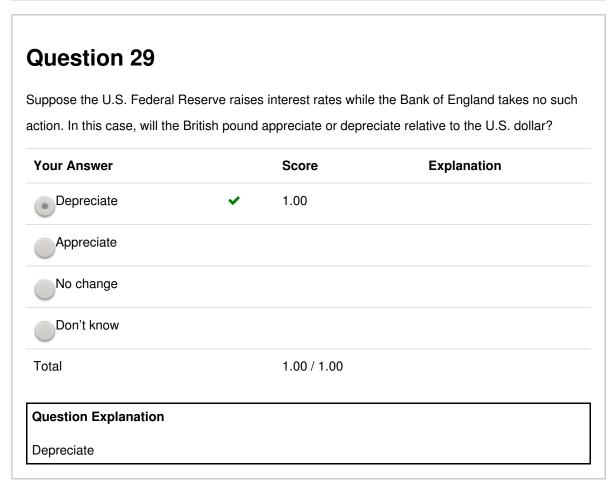


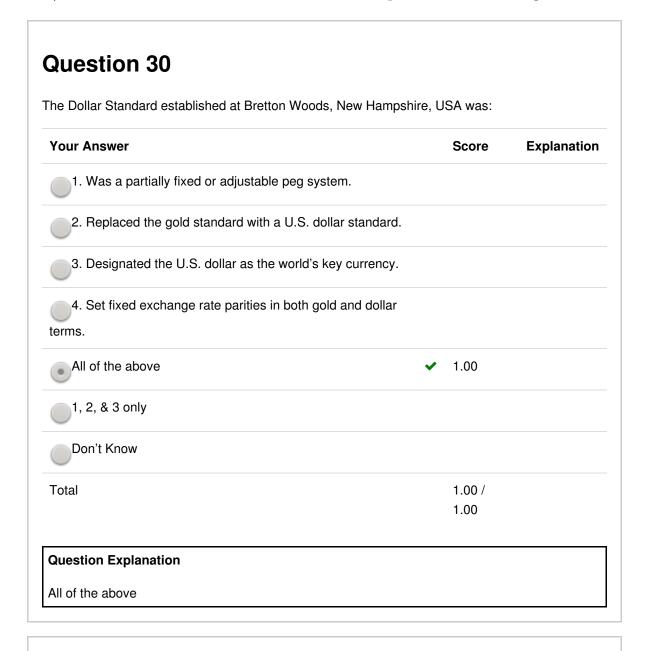
2. Imports fall		
3. Domestic producers see profits fall		
All of the above		
1 & 2 only	✓ 1.00	
Don't know		
Total	1.00 / 1.00	
Question Explanation		
1 & 2 only		

Question 27 In the context of free trade, a zero sum game may be defined as a game in which: Your Answer Score Explanation One trading partner gains at the expense of another ✓ 1.00 Don't know Both countries gain Both trading partner loses Total 1.00 / 1.00 Question Explanation One trading partner gains at the expense of another

Question 28

Your Answer		Score	Explanation
Don't know			
The Bank Run of 1907			
The Great Recession of the late 2000s			
The Great Depression of the 1930s	~	1.00	
Total		1.00 / 1.00	
Question Explanation			





Methods to increase productivity in a developing country's agriculture sector include: Your Answer Score Explanation 1. Appropriate conservation 2. The use of fertilizers

3. Proper tillage			
All of the above	•	1.00	
1 & 2 only			
Don't know			
Total		1.00 / 1.00	
Question Explanation			
All of the above			

Question 32 In a surprise move, the European Central Bank cuts interest rates to stimulate the European economy. How will such stimulus work to increase the rate of GDP growth? **Your Answer Explanation** Score 1. Lower interest rates will stimulate domestic investment 2. Lower interest rates will cause the euro currency to fall and stimulate exports Both 1 and 2 1.00 Don't know Total 1.00 / 1.00 **Question Explanation** Both 1 and 2

The Bank of Japan and Japan's Prime Minister decide to increase the monetary base to prevent deflation. Holding other things constant, what is likely to happen to New Zealand's dollar, the demand for its export, and its rate of GDP growth?

Your Answer		Score	Explanation
New Zealand's dollar and export demand as well as its	×	0.00	
New Zealand's dollar and export demand as well as its			
New Zealand's dollar will rise and its export demand and GDP will fall			
Don't know			
Total		0.00 /	
		1.00	

Question Explanation

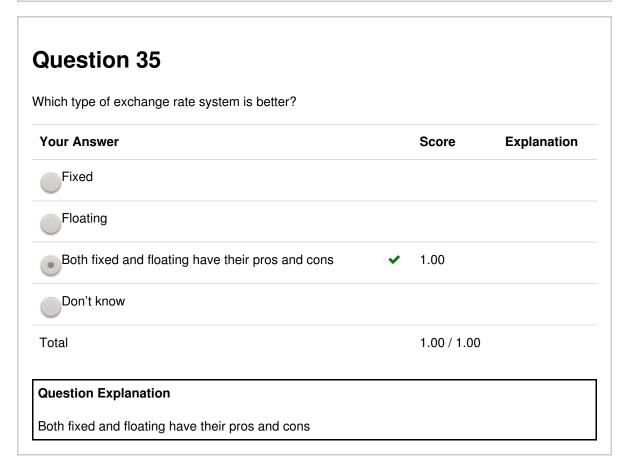
New Zealand's dollar will rise and its export demand and GDP will fall

Question 34

Suppose the GDP of Europe falls because of a sovereign debt crisis and subsequent recession. What is likely to happen to China's exports to Europe and its demand for commodities like iron ore and oil?

Your Answer	Score	Explanation
China's exports to Europe rise and its demand for commodities fall		

China's exports to Europe fall and its demand for commodities rise		
China's exports to Europe fall and its demand for commodities fall	✓ 1.00	
Don't know		
Total	1.00 /	
	1.00	
Question Explanation		
China's exports to Europe fall and its demand for commod	dities fall	



Europe announces a sovereign debt crisis threatening the stability of the euro so money pours out

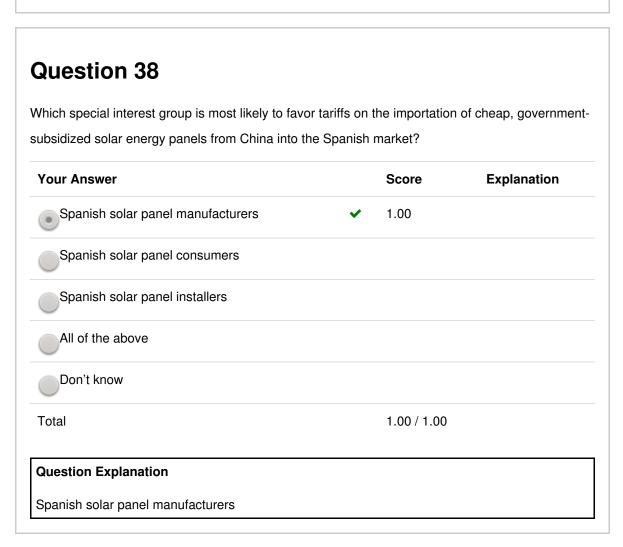
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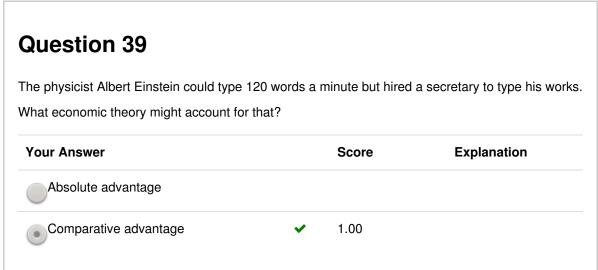
Your Answer	Score	Explanation
U.S. bond prices fall and yields fall		
U.S. bond prices rise and yields rise		
U.S. bond prices fall and yields rise		
U.S. bond prices rise and yields fall	✓ 1.00	
Don't know		
Total	1.00 / 1.0	00
Question Explanation		
U.S. bond prices rise and yields fall		

Germany has an absolute advantage over the rest of the world in the production of both automobiles and printing presses and a comparative advantage in the production of automobiles. According to the theory of comparative advantage, in trading with the rest of the world, Germany should:

	Score	Explanation
~	1.00	
	1.00 / 1.00	
	•	✓ 1.00

Question Explanation Specialize in automobiles





Physical advantage		
Don't know		
Total	1.00 / 1.00	
Question Explanation		
Comparative advantage		

Question 40 To make it more difficult for foreigners to import wine into France, French ports decide to delay the ships coming into its ports carrying wine. This is an example of a:

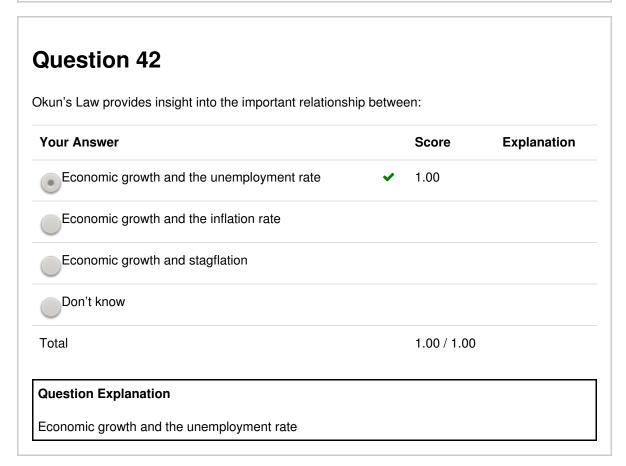
Your Answer		Score	Explanation
Product differentiation			
Non-tariff barrier	~	1.00	
Tariff barrier			
Don't know			
Total		1.00 / 1.00	
Question Explanation			
Non-tariff barrier			

Question 41

A new government report comes out indicating that the U.S. budget deficit is likely to rise significantly over the next five years. An economic forecaster will likely predict:

Your Answer	Score	Explanation
		•

Lower interest rates and more domestic capital investment	×	0.00
Higher interest rates and less domestic capital investment		
No impact on interest rates or capital investment.		
Don't know		
Total		0.00 / 1.00
Question Explanation		
Higher interest rates and less domestic capital investment		



Suppose the GDP = \$20 trillion, the budget deficit = \$240 billion, the unemployment rate = 7%, the

Your Answer		Score	Explanation
\$0 billion	~	1.00	
\$40 billion			
\$48 billion			
Don't know			
Total		1.00 / 1.00	
Question Explanation			

Question 44 In the Land of Oz, economic growth consists only of accumulating capital through replicating factories with existing methods of production. What happens to the standard of living according to the neo-classical growth model? **Your Answer Score Explanation** It falls It continues to rise It eventually stops rising 1.00 Don't know Total 1.00 / 1.00 **Question Explanation** It eventually stops rising

Question 45			
Which of these are true?			
Your Answer		Score	Explanation
A Classical economist will not recommend Keynesian stimulus			
A Monetarist will not recommend discretionary monetary policy			
A Keynesian will not support a "monetary rule" for the Central Bank	×	0.00	

Don't know		
Total	0.00 /	
	1.00	
Question Explanation		
All of the above		

Question 46 Under the theory of rational expectations, if the Federal Reserve expands the money supply to close a recessionary gap: **Your Answer** Score **Explanation** Businesses will immediately lower prices Workers will agree to lower wages The attempted expansionary monetary stimulus will be 1.00 completely offset by inflation's contractionary effects All of the above Don't know Total 1.00 / 1.00 **Question Explanation** The attempted expansionary monetary stimulus will be completely offset by inflation's

contractionary effects

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