Feedback — Week Six Quiz

Help

You submitted this quiz on **Sun 23 Feb 2014 1:39 PM PST**. You got a score of **40.00** out of **40.00**.

Question 1

New Classical Economics is based on:

Your Answer		Score	Explanation
Rational expectations	✔	1.00	
Adaptive expectations			
Traditional expectations			
Don't know			
Total		1.00 / 1.00	

Question 2

If the inflation rate was 5% last year, rational expectations would predict that inflation next year will be:

Your Answer		Score	Explanation
Cannot be determined from the information	✔	1.00	
10%			
5%			

Don't know			
Total		1.00 / 1.00	

Question 3

The central policy implication of the rational expectations theory is that:

Your Answer		Score	Explanation
Keynesian policies work in the short run but not the long run	✔	1.00	
Keynesian policies work in the long run but not the short run			
Keynesian policies work in the short run and the long run			
Don't know			
Total		1.00 / 1.00	

Question 4

Based on the theory of rational expectations, a Classical Economics advisor to the president would:

Your Answer		Score	Explanation
Not recommend Keynesian policies	✔	1.00	
Recommend Keynesian policies in a recession			
Recommend Keynesian policies to fight inflation			

Don't know		
Total	1.00 / 1.00	

Question 5

Under the theory of rational expectations, if the Federal Reserve expands the money supply to close a recessionary gap:

Your Answer		Score	Explanation
1. Businesses will immediately raise prices			
2. Workers will demand higher wages			
3. The attempted expansionary monetary stimulus will be completely offset by inflation's contractionary effects			
All of the above	✔	1.00	
1 and 2 only			
Don't know			
Total		1.00 / 1.00	

Question 6

From 1947 to 2000, real GDP grew annually by 3.5%. However, over the next decade, GDP growth would fall by nearly 2%. How many jobs does the economy of the United States fail to create when GDP growth slows by 1% in a given year?

Your Answer	Score	Explanation

1 million	✔	1.00
100,000		
10 million		
Don't know		
Total		1.00 / 1.00

Question 7

During the 2000s, average median household income was roughly equal to:

Your Answer		Score	Explanation
0% over the decade	✔	1.00	
5% over the decade			
10% over the decade			
Don't know			
Total		1.00 / 1.00	

Question 8

Historically, 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	

Question 9

The Federal Reserve's policy of "quantitative easing" that was ushered in in the late 2000s had what objective:

Your Answer		Score	Explanation
Lower long-term interest rates	✔	1.00	
Lower short-term interest rates			
Lower both short and long-term interest rates			
Don't know			
Total		1.00 / 1.00	

Question 10

When the Federal Reserve lowers interest rates, this can stimulate:

Your Answer	Score	Explanation
1. Domestic investment		
Don't know		

2. Exports to foreign countries		
Both 1 & 2	✔	1.00
Total		1.00 / 1.00

Question 11

What is the relationship between bond prices and bond yields?

Your Answer		Score	Explanation
As bond prices rise, bond yields fall	✔	1.00	
As bond prices rise, bond yields rise			
As bond prices rise bond yields remain the same			
Don’t know			
Total		1.00 / 1.00	

Question 12

The typical business cycle is characterized by:

Your Answer		Score	Explanation
1. An expansionary peak			
2. A recessionary trough			
3. A secular growth trend line			
All of the above	✔	1.00	

1 and 2 only

Total	1.00 / 1.00

Question 13

Which of the following are elements of the GDP forecasting equation?

Your Answer		Score	Explanation
1. Consumption			
2. Investment			
3. Government spending			
4. Net exports			
All of the above	✔	1.00	
1, 2, and 3 only			
Don't know			
Total		1.00 / 1.00	

Question 14

If a country's imports are greater than its exports, the country is said to be running a:

Your Answer		Score	Explanation
Trade deficit	✔	1.00	
Trade surplus			

Don't know

Total 1.00 / 1.00

Question 15

Everything else being equal, a country that runs a trade deficit will have a:

Your Answer		Score	Explanation
Lower GDP growth rate	✔	1.00	
Higher GDP growth rate			
The GDP growth rate is not affected by the size of the trade deficit			
Not sure			
Total		1.00 / 1.00	

Question 16

Which of these leading economic indicators is not used to forecast consumption in the GDP forecasting model?

Your Answer		Score	Explanation
ISM manufacturing index	✔	1.00	
Consumer confidence			
Home sales			

Retail sales		
Don't know		
Total	1.00 / 1.00	

Question 17

Why do economic forecasters pay very close attention to inflation measures?

Your Answer		Score	Explanation
If inflation begins to rise, the Federal Reserve may raise interest rates to slow GDP growth	✔	1.00	
If inflation begins to rise, the Federal Reserve may lower interest rates to slow GDP growth			
If inflation begins to rise, the Federal Reserve may raise taxes to slow GDP growth			
Not sure			
Total		1.00 / 1.00	

Question 18

The offshoring of American jobs:

Your Answer		Score	Explanation
Decreases the American GDP growth rate indirectly by reducing domestic investment	✔	1.00	

- Decreases the American GDP growth rate indirectly by reducing domestic consumption
- Decreases the American GDP growth rate indirectly by reducing government spending
- Not sure

Total 1.00 / 1.00

Question 19

The structural problem of a global trade imbalance includes:

Your Answer		Score	Explanation
An export-dependent China, and import-dependent Europe, and an import-dependent America	✔	1.00	
An export-dependent China, an export-dependent Europe, and an import-dependent America			
An export-dependent China, an import-dependent Europe, and an export-dependent America			
don't know			
Total		1.00 / 1.00	

Question 20

Which one of these is not a “commodity country” whose economy depends heavily on the export of commodities such as coal, iron ore, soybeans, and energy?

Your Answer		Score	Explanation
Switzerland	✔	1.00	
Australia			
Brazil			
Russia			
Not sure			
Total		1.00 / 1.00	

Question 21

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	
Rises			
Stays the same			
Don't know			
Total		1.00 / 1.00	

Question 22

A Keynesian stimulus when used to addressed structural imbalances causing an economic slowdown is likely to:

Your Answer		Score	Explanation
Unlikely to resolve the structural imbalances	✔	1.00	
Likely to resolve the structural imbalances			
Don't know			
Total		1.00 / 1.00	

Question 23

Keynesians believe that macroeconomic instability arises from:

Your Answer		Score	Explanation
1. Changes in investment and consumption that shift the aggregate demand curve in or out			
2. Adverse supply-side shocks that shift the aggregate supply curve in			
3. Adverse supply shocks that shift the aggregate supply curve out			
All of the above			
1 and 2 only	✔	1.00	
Don't know			
Total		1.00 / 1.00	

Question 24

Monetarists believe that macroeconomic instability arises from:

Your Answer		Score	Explanation
Bad government policies	✔	1.00	
Price and wage flexibility			
Market processes			
Don't know			
Total		1.00 / 1.00	

Question 25

From the Monetarist perspective, government policies like the minimum wage, farm price supports, and monopoly protections:

Your Answer		Score	Explanation
Lead to increased instability in the macroeconomy because they don't allow wages and prices to adjust quickly	✔	1.00	
Are necessary to reduce instability in the macroeconomy			
Lead to increased instability in the macroeconomy because they allow wages and prices to adjust to quickly			
Don't know			
Total		1.00 / 1.00	

Question 26

Which is the equation of exchange?

Your Answer		Score	Explanation
MV=PQ	✔	1.00	
MP=VQ			
MQ=VP			
Not sure			
Total		1.00 / 1.00	

Question 27

If the **velocity of money** is stable and real output is independent of the price level, increasing the money supply will lead to:

Your Answer		Score	Explanation
Increased inflation	✔	1.00	
Decreased inflation			
Decreased real GDP growth			
Increased real GDP growth			
Not sure			
Total		1.00 / 1.00	

Question 28

Which school of macroeconomics believes that Velocity of Money tends to be unstable?

Your Answer		Score	Explanation
Keynesians	✔	1.00	
Monetarists			
Demand ciders			
Not sure			
Total		1.00 / 1.00	

Question 29

The Supply Side school of macroeconomics:

Your Answer		Score	Explanation
1. Agrees with Keynesians that macroeconomic instability can result from supply-side shocks			
2. Agrees with Monetarists the macroeconomic instability can result from government failures			
3. Prefers to focus on high tax rates and regulations that reduce supply incentives as a source of instability			
All of the above	✔	1.00	
2 and 3 only			
Don't know			
Total		1.00 / 1.00	

Question 30

The faster the speed of the adjustment process back to full potential output:

Your Answer		Score	Explanation
The less the need for activist fiscal and monetary policies	✔	1.00	
The more the need for activist fiscal and monetary policies			
The use of activist fiscal and monetary policies is independent of the speed of the adjustment process			
Don't know			
Total		1.00 / 1.00	

Question 31

Under the theory of adaptive expectations, shifts of the aggregate supply and aggregate demand curves to bring the economy back to full employment:

Your Answer		Score	Explanation
Occur very slowly	✔	1.00	
Occur very quickly			
Cannot occur			
Don't know			
Total		1.00 / 1.00	

Question 32

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			
2 and 3 only	✔	1.00	
Don’t know			
Total		1.00 / 1.00	

Question 33

Which school of macroeconomic thought would most favor a rule that directed the Federal Reserve to expand the money supply at the same rate is the typical growth of the economy’s production capacity?

Your Answer		Score	Explanation
Monetarists	✔	1.00	
Keynesians			
Both			
Don’t know			

Total	1.00 / 1.00

Question 34

Under the Rational Expectations theory, if the Federal Reserve lowers interest rates to stimulate economic growth:

Your Answer		Score	Explanation
1. Workers will demand higher wages			
2. Firms will increase prices			
3. Lenders will lower interest rates			
All the above			
1 and 2 only	✔	1.00	
Don't know			
Total		1.00 / 1.00	

Question 35

Which theory of expectations holds that any attempt by the government to use activist fiscal and monetary policies to stimulate the economy will be immediately offset?

Your Answer	Score	Explanation
Adaptive expectations		
Don't know		
Irrational expectations		

Rational expectations	✔	1.00
Total		1.00 / 1.00

Question 36

To finance a budget deficit, the US Treasury Department may sell bonds directly to the private capital markets. What is likely to be the effect on interest rates in the level of private sector investment?

Your Answer		Score	Explanation
Interest rates rise and investment falls	✔	1.00	
Interest rates fall and investment falls			
Interest rates rise and investment rises			
Don't know			
Total		1.00 / 1.00	

Question 37

When a bond-financed budget deficit leads to a reduction in private sector investment, this is referred to as:

Your Answer		Score	Explanation
Crowding out	✔	1.00	
Crowding in			
The fallacy of composition			

Don't know

Total	1.00 / 1.00

Question 38

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 39

According to Keynesians, a Balance Budget Rule would:

Your Answer		Score	Explanation
Both	✔	1.00	
Require contractionary fiscal policy during a recession and deepen it			
Require cutting taxes during an expansion in increased inflation			

Neither	
Not sure	
Total	1.00 / 1.00

Question 40

Which school of macroeconomic thought most favors the use of discretionary monetary policy?

Your Answer		Score	Explanation
Keynesians	✔	1.00	
Monetarists			
Both			
Not sure			
Total		1.00 / 1.00	