Final Exam

Due Mar 16 at 11:59pm **Points** 160 **Questions** 40
Available Mar 15 at 12am - Mar 16 at 11:59pm 2 days **Time Limit** 80 Minutes

Instructions

This exam covers material from chapters 15, 16, 17, 20, 21, and 22. There are 40 questions worth 4 points each. You will have 80 minutes to complete this exam.

Attempt History

	Attempt	Time	Score
LATEST	Attempt 1	64 minutes	156 out of 160

ⓘ Correct answers will be available on Mar 17 at 12am.

Score for this quiz: **156** out of 160
Submitted Mar 15 at 12:48pm
This attempt took 64 minutes.

Question 1 — 4 / 4 pts

Who among the following would be counted as “unemployed”?

- Shasta, who is g to be recalled to a job from which she has been laid off.waitin
- Karen, who neither has a job nor is looking for one.
- Mary, who worked only 35 hours last week.

- None of the above is correct.

Question 2

4 / 4 pts

Measuring unemployment is the job of the

- Congressional Budget Office.
- Department of Commerce.
- Council of Economic Advisers.
- Bureau of Labor Statistics.

Question 3

4 / 4 pts

Suppose that the monthly jobs report published the entire adult population of the state as follows: 25 million people employed, 3 million people unemployed, 1 million discouraged workers, and 1 million people who are either students, homemakers, retirees, or other people not seeking employment.

What is the unemployment rate?

- 3.3%

- 3.0%
- 10.7%
- 10.6%

Question 4

4 / 4 pts

Suppose that the monthly jobs report published the entire adult population of the state as follows: 25 million people employed, 3 million people unemployed, 1 million discouraged workers, and 1 million people who are either students, homemakers, retirees, or other people not seeking employment.

What is the total labor force?

- 25.5 million
- 28 million
- 29.4 million
- 30 million

Incorrect

Question 5

0 / 4 pts

Suppose that the monthly jobs report published the entire adult population of the state as follows: 25 million people employed, 3 million people unemployed, 1 million discouraged workers, and 1 million people who are either students, homemakers, retirees, or other people not seeking employment.

What is the labor-force participation rate?

- (●) 83.3%
- ( ) 93.7%
- ( ) 93.3%
- ( ) 96.7%

Question 6

4 / 4 pts

An economy's natural rate of unemployment is the

- ( ) economy's long-run target level of unemployment.
- (●) amount of unemployment that the economy normally experiences.
- ( ) lowest rate of unemployment the economy can achieve.
- ( ) All of the above are correct.

Question 7

4 / 4 pts

Cyclical unemployment

- has a different explanation than does the natural rate of unemployment.
- refers to the year-to-year fluctuation in unemployment around an economy's natural rate of unemployment.
- is closely associated with short-run ups and downs of economic activity.
- [x] All of the above are correct.

Question 8

4 / 4 pts

Which of the following is a function of money?

- a unit of account
- a store of value
- medium of exchange
- [x] All of the above are correct.

Question 9

4 / 4 pts

If the reserve ratio is 5 percent, then $1,000 of additional reserves can create up to

- $5,500 of new money.
- $5,000 of new money.
- $4,000 of new money.
- None of the above is correct.

Question 10

4 / 4 pts

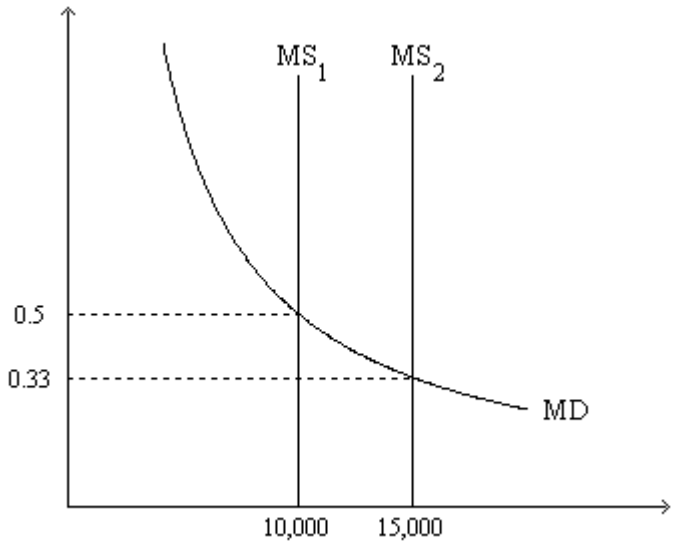
When conducting an open-market purchase, the Fed

- buys government bonds, and in so doing increases the money supply.
- buys government bonds, and in so doing decreases the money supply.
- sells government bonds, and in so doing increases the money supply.
- sells government bonds, and in so doing decreases the money supply.

Question 11

4 / 4 pts

Figure 30-3. On the graph, MS represents the money supply and MD represents money demand. The usual quantities are measured along the axes.



Refer to Figure 30-3. Which of the following events could explain a shift of the money-supply curve from MS_1 to MS_2?

- an increase in the value of money
- a decrease in the price level
- an open-market purchase of bonds by the Federal Reserve
- the Federal Reserve sells bonds.

Question 12

4 / 4 pts

If the money supply is 3,000, the price level is 2, and the output produced is 6,000, what is velocity?

- 1/4
- 2/4
- 4
- 1

Question 13

4 / 4 pts

When prices are falling, economists say that there is

- disinflation.
- deflation.
- a contraction.
- an inverted inflation.

Question 14

4 / 4 pts

Suppose ice cream cones costs $6. Molly holds $60. What is the real value of the money she holds?

20 ice cream cones. If the price of ice cream cones rises, to maintain the real value of her money holdings she needs to hold more dollars.

$60. If the price of ice cream cones rises, to maintain the real value of her money holdings she need to hold fewer dollars.

10 ice cream cones. If the price of ice cream cones rises, to maintain the real value of her money holdings she needs to hold more dollars.

20 ice cream cones. If the price of ice cream cones rises, to maintain the real value of her money holdings she needs to hold fewer dollars.

Question 15

4 / 4 pts

Consider the quantity equation. In the economy, if the money supply is 150, velocity is 4, and output is 300, what is the price level?

10.

0.55.

2.

3.

Question 16

4 / 4 pts

If consumer confidence rises, then aggregate demand shifts

- (●) right, making inflation higher than otherwise.
- ( ) right, making inflation lower than otherwise.
- ( ) left, making inflation higher than otherwise.
- ( ) left, making inflation lower than otherwise.

Question 17

4 / 4 pts

Which of the following is *not* correct?

- ( ) The model of aggregate demand and aggregate supply is used by most economists to analyze short-run fluctuations.
- ( ) During a recession firms cut back production and workers are laid off.
- (●) A recession is a period of declining real incomes and declining unemployment.
- ( ) A depression is a severe recession.

Question 18

4 / 4 pts

The sticky-wage theory of the short-run aggregate supply curve says that the quantity of output firms supply will increase if

- (●) the price level is higher than expected making production more profitable.
- ( ) the price level is higher than expected making production less profitable.
- ( ) the price level is lower than expected making production more profitable.
- ( ) the price level is higher than expected making production less profitable.

Question 19

4 / 4 pts

When the price level falls the quantity of

- ( ) consumption goods demanded rises, while the quantity of net exports demanded falls.

consumption goods demanded and the quantity of net exports demanded both rise.

consumption goods demanded and the quantity of net exports demanded both fall.

consumption goods demanded falls, while the quantity of net exports demand rises.

Question 20

4 / 4 pts

When taxes increase, consumption

increases, so aggregate demand shifts right.

increases, so aggregate supply shifts right.

decreases, so aggregate demand shifts left.

decreases, so aggregate supply shifts left.

Question 21

4 / 4 pts

Which of the following is correct about investment spending during economic recessions?

- (●) I falls by a larger percentage than GDP.
- ( ) I falls by about the same percentage as GDP.
- ( ) I falls by a smaller percentage than GDP.
- ( ) I falls but the percentage change is sometimes much larger and sometimes much smaller.

Question 22

4 / 4 pts

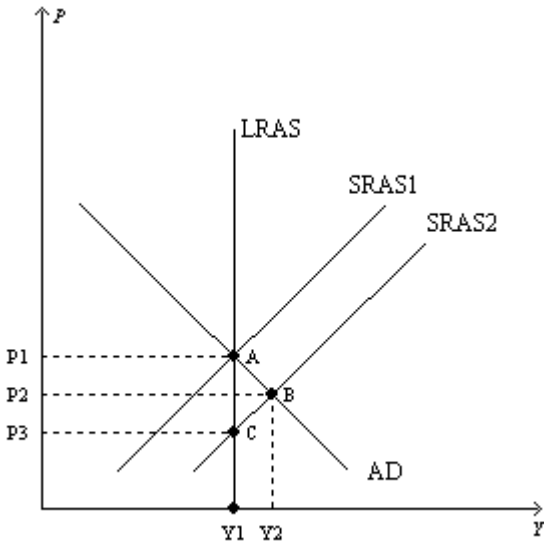
According to classical macroeconomic theory, changes in the money supply affect

- ( ) nominal variables and real variables.
- (●) nominal variables, but not real variables.
- ( ) real variables, but not nominal variables.
- ( ) neither nominal nor real variables.

Question 23

4 / 4 pts

Figure 33-5.



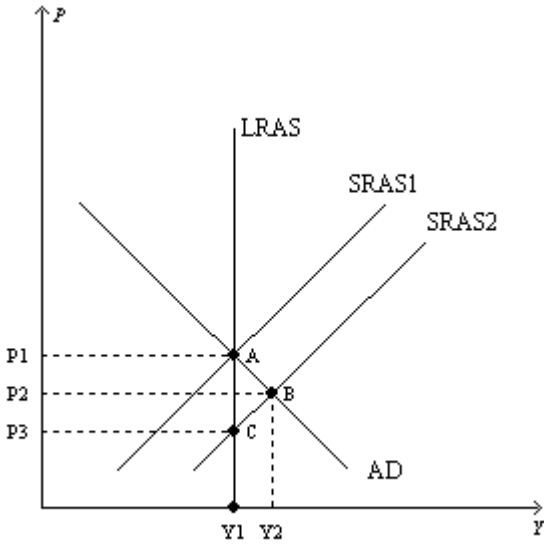
Refer to Figure 33-5. The shift of the short-run aggregate-supply curve from $SRAS_1$ to $SRAS_2$

- could be caused by an outbreak of war in the Middle East.
- could be caused by a decrease in the expected price level.
- causes the economy to experience an increase in the unemployment rate.
- causes the economy to experience stagflation.

Question 24

4 / 4 pts

Figure 33-5.



Refer to Figure 33-5. In Figure 33-5,

- Point B represents a short-run equilibrium and a long-run equilibrium.
- Point B represents a short-run equilibrium, and Point A represents a long-run equilibrium.
- Point B represents a long-run equilibrium, and Point A represents a short-run equilibrium.
- Point B represents a long-run equilibrium, and Point C represents a short-run equilibrium.

Question 25

4 / 4 pts

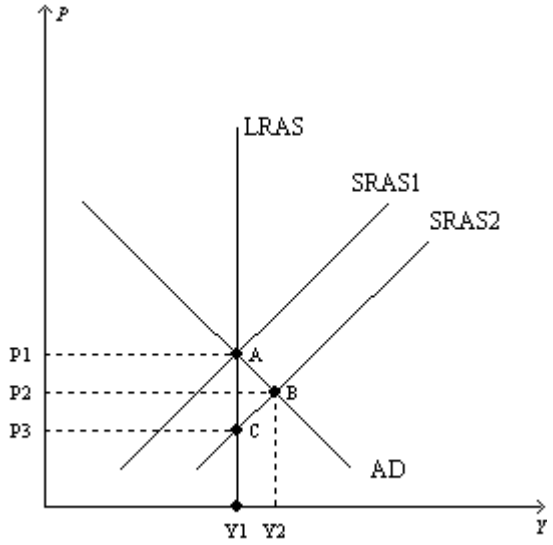
Consider an economy in which a $1,000 increase in income leads to an $800 increase in consumption expenditures. What is the MPC?

- 0.2 and the multiplier is 1.25.
- 0.8 and the multiplier is 5.
- 0.2 and the multiplier is 1.25.
- 0.8 and the multiplier is 8.

Question 26

4 / 4 pts

Figure 33-5.



Refer to Figure 33-5. Starting from point B and assuming that aggregate demand is held constant, in the long run the economy is likely to experience

a falling price level and a falling level of output, as the economy moves to point C.

a falling price level and a rising level of output, as the economy moves to point A.

a rising price level and a falling level of output, as the economy moves to point A.

a rising price level and a rising level of output, as the economy moves to point C.

Question 27

4 / 4 pts

The sticky-price theory implies that

the short-run aggregate-supply curve is upward-sloping.

an unexpected fall in the price level induces firms to reduce the quantity of goods and services they produce.

menu costs influence the speed of adjustment of prices.

All of the above are correct.

Question 28

4 / 4 pts

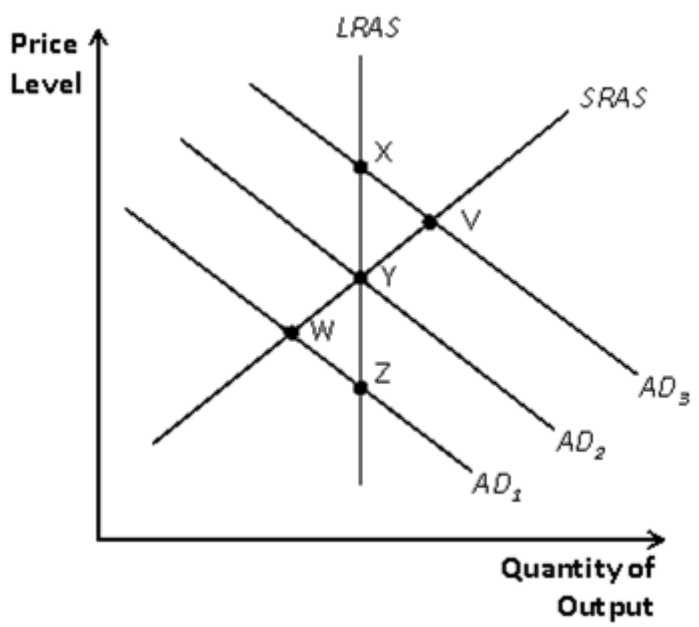
Which of the following shifts short-run, but not long-run aggregate supply right?

- a decrease in the actual price level
- a decrease in the expected price level
- a decrease in the capital stock
- an increase in the money supply

Question 29

4 / 4 pts

Figure 7.



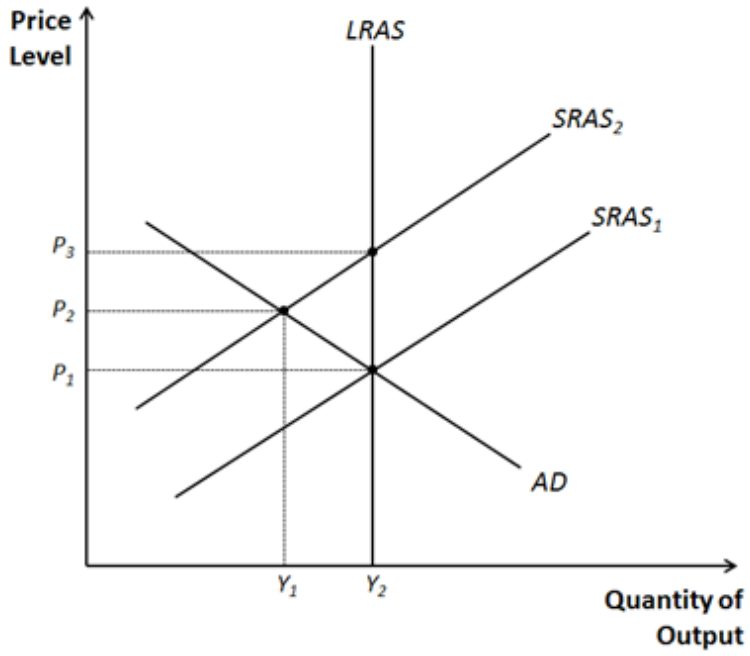
Refer to Figure 7. If the economy starts at Y, then a recession occurs at

- LRAS.
- W.
- V.
- SRAS.

Question 30

4 / 4 pts

Figure 33.



Refer to Figure 33. A movement from P_1 and Y_2, to P_2 and Y_1 would be consistent with

a decrease in consumption expenditures.

stagflation.

deflation.

inflation and lower unemployment.

Question 31

4 / 4 pts

Shifts in the aggregate-demand curve can cause fluctuations in

neither the level of output nor the level of prices.

the level of output, but not in the level of prices.

the level of prices, but not in the level of output.

the level of output and in the level of prices.

Question 32

4 / 4 pts

The government implements monetary policy and fiscal policy in order to

offset the shifts in aggregate demand and thereby eliminate unemployment.

offset shifts in aggregate demand and thereby stabilize the economy.

enhance the shifts in aggregate demand and thereby create fluctuations in output and employment.

enhance the shifts in aggregate demand and thereby increase economic growth

Question 33

4 / 4 pts

The interest-rate effect

depends on the idea that decreases in interest rates increase the quantity of goods and services demanded.

depends on the idea that decreases in interest rates decrease the quantity of goods and services demanded.

is responsible for the downward slope of the money-demand curve.

is the least important reason, in the case of the United States, for the downward slope of the aggregate-demand curve.

Question 34

4 / 4 pts

Consider the economy of Mankiwland. In this economy, when income is $100, consumer spending is $60. The value of the multiplier is 2.

When income is $101, consumer spending is

- $60.50.
- $60.75.
- $61.33.
- $64.00.

Question 35

4 / 4 pts

Consider an economy that implements an expansionary fiscal policy of increased government spending by $X amount. Which of the following by itself would tend to make the change in aggregate demand different from $X?

- both the multiplier effect and the crowding-out effect

- the multiplier effect, but not the crowding-out effect
- the crowding-out effect, but not the multiplier effect
- neither the crowding out effect nor the multiplier effect

Question 36

4 / 4 pts

If the multiplier is 2 and if there is no crowding-out effect, then a $60 billion increase in government expenditures causes aggregate demand to

- increase by $250 billion.
- increase by $120 billion.
- increase by $360 billion.
- None of the above are correct.

Question 37

4 / 4 pts

The short-run relationship between inflation and unemployment is often called

- the Laffer curve.
- Money Neutrality.

- (●) the Phillips curve.
- ( ) None of the above is correct.

Question 38

4 / 4 pts

According to the Phillips curve, policymakers could reduce both inflation and unemployment by

- ( ) increasing the money supply.
- ( ) increasing government expenditures.
- ( ) raising taxes.
- (●) None of the above is correct.

Question 39

4 / 4 pts

Consider an economy that spends 60 percent of every additional dollar of income earned. Assume there are no crowding out or investment accelerator effects. If the government increases expenditures by $200 billion, then by how much does aggregate demand shift to the right? If the government decreases taxes by $200 billion, then by how much does aggregate demand shift to the right?

- ( ) $300 billion and $180 billion

$300 billion and $300 billion

$500 billion and $300 billion

$500 billion and $500 billion

Question 40

4 / 4 pts

In 2007 and 2008 households and firms reduced desired expenditures. During the same period inflation fell and unemployment rose.

The change in inflation, but not the change in unemployment is consistent with what a given short-run Phillips curve implies.

The change in unemployment, but not the change in inflation is consistent with what a given short-run Phillips curve implies.

Both the change in inflation and the change in unemployment are consistent with what a given short-run Phillips curve implies.

Neither the change in inflation nor the change in unemployment are consistent with what a given short-run Phillips curve implies.

Quiz Score: **156** out of 160