Homework (chapter 17)

Due Feb 24 at 11:59pm **Points** 20 **Questions** 20
Available until Feb 24 at 11:59pm **Time Limit** None **Allowed Attempts** 2

Instructions

This required homework assignment covers material from chapter 17.

Homework answers may be saved and returned to, as long as it is within the deadline. To do so, remember to save your responses before leaving the Canvas website, and do not click on the “Submit” button (or Canvas will automatically grade your assignment and you will have no way of changing your answers). If you start the quiz before the deadline but do not finish by the deadline, Canvas will submit the homework for you at the deadline.

This quiz was locked Feb 24 at 11:59pm.

Attempt History

	Attempt	Time	Score
LATEST	Attempt 1	22 minutes	18 out of 20

Score for this attempt: **18** out of 20
Submitted Feb 11 at 10:51am
This attempt took 22 minutes.

Question 1

1 / 1 pts

The term *hyperinflation* refers to

- the spread of inflation from one country to others.
- a decrease in the inflation rate.
- Correct! a period of very high inflation.

inflation accompanied by a recession.

Question 2

1 / 1 pts

The classical theory of inflation

- is also known as the quantity theory of money.
- was developed by some of the earliest economic thinkers.
- is used by most modern economists to explain the long-run determinants of the inflation rate.

Correct!

- All of the above are correct.

Question 3

1 / 1 pts

As the price level rises, the value of money

- increases, so people must hold less money to purchase goods and services.
- increases, so people must hold more money to purchase goods and services.

Correct!

decreases, so people must hold more money to purchase goods and services.

decreases, so people must hold less money to purchase goods and services.

Question 4

1 / 1 pts

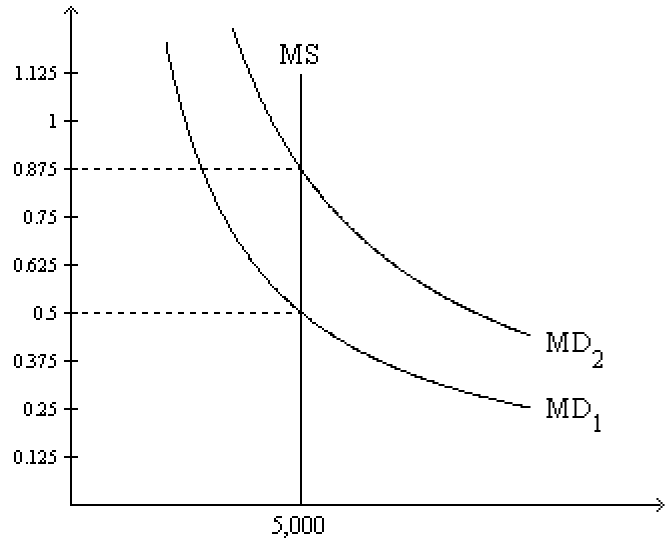
The supply of money increases when

- the value of money increases.
- the interest rate increases.
- Correct! the Federal Reserve purchases bonds.
- velocity increases.

Question 5

1 / 1 pts

Figure 30-2. On the graph, MS represents the money supply and MD represents money demand. The usual quantities are measured along the axes.



Refer to Figure 30-2. What quantity is measured along the horizontal axis?

- the price level
- the real interest rate
- the value of money

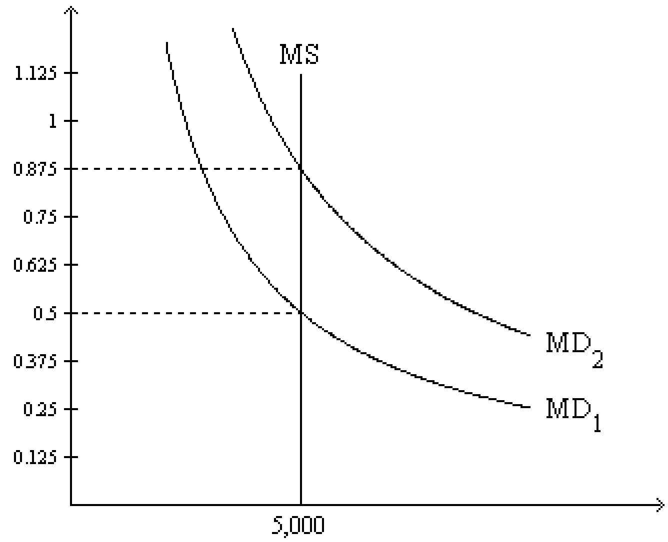
Correct!

- the quantity of money

Question 6

1 / 1 pts

Figure 30-2. On the graph, MS represents the money supply and MD represents money demand. The usual quantities are measured along the axes.



Refer to Figure 30-2. If the relevant money-demand curve is the one labeled MD_1, then the equilibrium value of money is

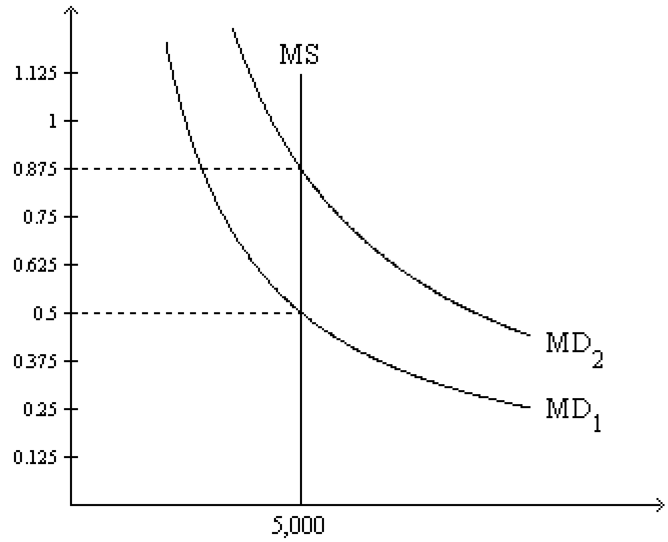
Correct!

- 0.5 and the equilibrium price level is 2.
- 2 and the equilibrium price level is 0.5.
- 0.5 and the equilibrium price level cannot be determined from the graph.
- 2 and the equilibrium price level cannot be determined from the graph.

Question 7

1 / 1 pts

Figure 30-2. On the graph, MS represents the money supply and MD represents money demand. The usual quantities are measured along the axes.



Refer to Figure 30-2. If the relevant money-demand curve is the one labeled MD_1, then

- when the money market is in equilibrium, one dollar purchases one-half of a basket of goods and services.
- when the money market is in equilibrium, one unit of goods and services sells for 2 dollars.
- there is an excess demand for money if the value of money in terms of goods and services is 0.375.

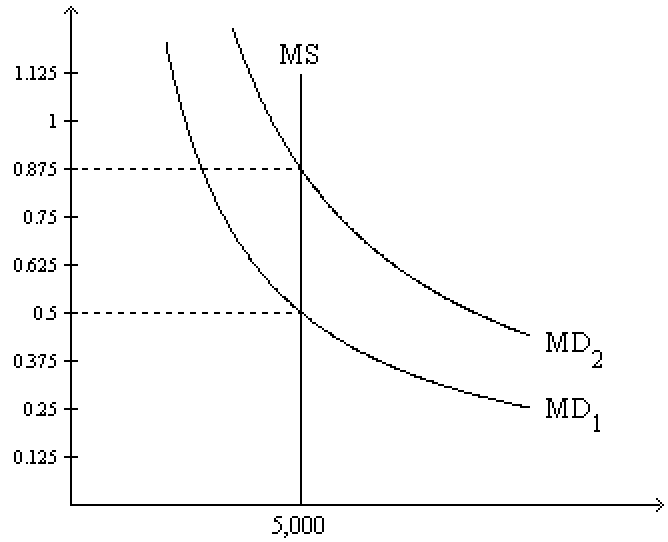
Correct!

- All of the above are correct.

Question 8

1 / 1 pts

Figure 30-2. On the graph, MS represents the money supply and MD represents money demand. The usual quantities are measured along the axes.



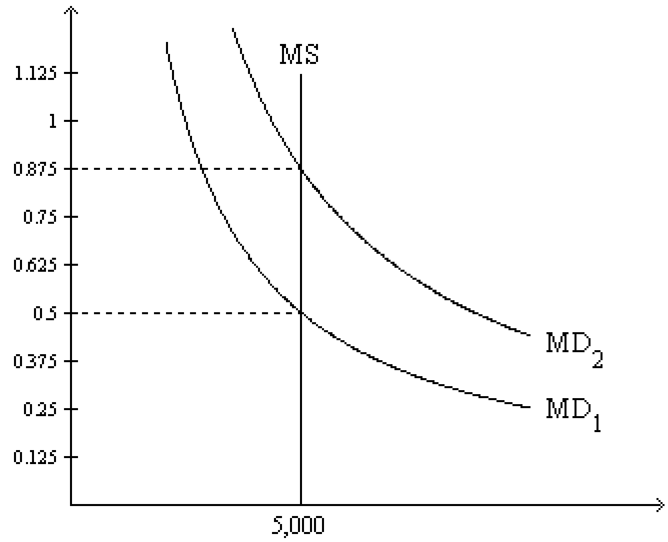
Refer to Figure 30-2. Which of the following events could explain a shift of the money-demand curve from MD_1 to MD_2?

- an increase in the value of money
- a decrease in the price level
- an open-market purchase of bonds by the Federal Reserve
- Correct! None of the above is correct.

Question 9

1 / 1 pts

Figure 30-2. On the graph, MS represents the money supply and MD represents money demand. The usual quantities are measured along the axes.



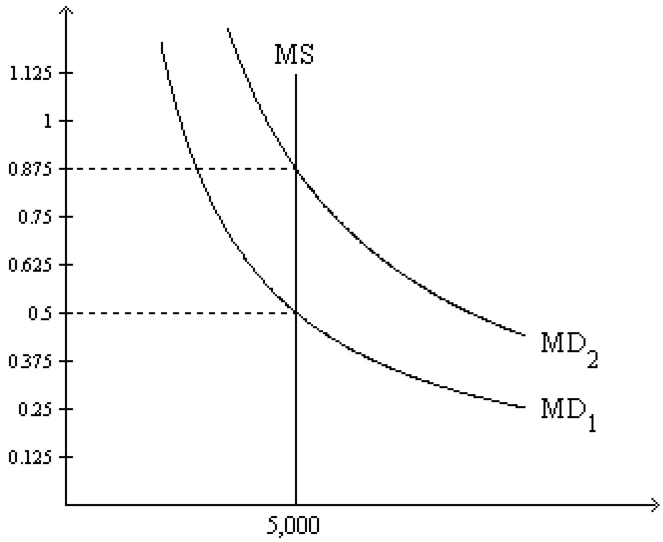
Refer to Figure 30-2. Suppose the relevant money-demand curve is the one labeled MD_1; also suppose the velocity of money is 4. If the money market is in equilibrium, then the economy's real GDP amounts to

- 2,500.
- 7,500.
- Correct! 10,000.
- 40,000.

Question 10

0 / 1 pts

Figure 30-2. On the graph, MS represents the money supply and MD represents money demand. The usual quantities are measured along the axes.



Refer to Figure 30-2. Suppose the relevant money-demand curve is the one labeled MD_1; also suppose the economy's real GDP is 20,000 for the year. If the money market is in equilibrium, then how many times per year is the typical dollar bill used to pay for a newly produced good or service?

- 4
- 2
- orrect Answer: 8
- ou Answered: 10

Question 11

1 / 1 pts

The classical dichotomy refers to the idea that the supply of money

- is irrelevant for understanding the determinants of nominal and real variables.

Correct!

- determines nominal variables, but not real variables.
- determines real variables, but not nominal variables.
- is a determinant of both real and nominal variables.

Question 12

1 / 1 pts

If monetary neutrality holds, then an increase in the money supply

- increases real but not nominal variables. Most economists think that monetary neutrality is a good description of the short run.
- increases real but not nominal variables. Most economists think that monetary neutrality is a good description of the long run.
- increases nominal but not real variables. Most economists think that monetary neutrality is a good description of the short run.

Correct!

- increases nominal but not real variables. Most economists think that monetary neutrality is a good description of the long run.

Question 13

1 / 1 pts

The velocity of money is

- the rate at which the Fed puts money into the economy.
- the same thing as the long-term growth rate of the money supply.
- the money supply divided by nominal GDP.
- Correct! the average number of times per year a dollar is spent.

Question 14

1 / 1 pts

If $M = 6{,}000$, $P = 3$, and $Y = 3{,}000$, what is velocity?

- 6
- Correct! 1.5
- 0.67
- 0.167

Question 15

1 / 1 pts

Based on the quantity equation, if $M = 100$, $V = 3$, and $Y = 150$, then $P =$

- 1.
- 1.5.
- Correct! 2.
- 4.5.

Question 16

1 / 1 pts

If Y and V are constant and M doubles, the quantity equation implies that the price level

- more than doubles.
- changes but less than doubles.
- Correct! doubles.
- does not change

Question 17

0 / 1 pts

The inflation tax

- is an alternative to income taxes and government borrowing.
- taxes most those who hold the most money.
- ou Answered is the revenue created when the government prints money.
- orrect Answer All of the above are correct.

Question 18

1 / 1 pts

The nominal interest rate is 6 percent and the real interest rate is 2.5 percent. What is the inflation rate?

- 2.4 percent.

Correct!

- 3.5 percent.
- 8.5 percent.
- 15 percent.

Question 19

1 / 1 pts

The Fisher effect says that

Correct!

- the nominal interest rate adjusts one for one with the inflation rate.
- the growth rate of the money supply is negatively related to the velocity of money.
- real variables are heavily influenced by the monetary system.
- All of the above are correct.

Question 20

1 / 1 pts

The idea that inflation by itself reduces people's purchasing power is called

- the inflation tax.
- menu costs.
- the inflation fallacy.
- shoeleather costs.

Correct!

Quiz Score: **18** out of 20