

Question 1

Not yet answered

Marked out of 1.00

When the Fed sells bonds in the open market, we can expect:

Select one:

- ☐ a. bond prices and interest rates to fall.
- ☐ b. bond prices to rise and interest rates to fall.
- ☒ c. bond prices to fall and interest rates to rise.
- ☐ d. bond prices and interest rates to rise.

[Clear my choice](#)

Question 2

Not yet answered

Marked out of 1.00

When the Fed sells bonds in the open market, we can expect the:

Select one:

- ☐ a. exchange rate to rise and interest rates to fall.
- ☐ b. exchange rate and interest rates to rise.
- ☐ c. exchange rate to fall and interest rates to rise.
- ☐ d. exchange rate and interest rates to fall.

Question 3

Not yet answered

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Holding all else constant, higher interest rates in the United States would _____ the demand for U.S. dollars in the foreign exchange market. In turn, this will lead to a/an _____ in the exchange rate, and subsequently, U.S. net exports would _____.

Select one:

- ☐ a. decrease; decrease; rise
- ☐ b. increase; increase; fall
- ☐ c. increase; decrease; rise
- ☐ d. decrease; increase; fall

Question 4

Not yet answered

Marked out of 1.00

Which of the following result from a change in the money supply brought about by an open market sale?

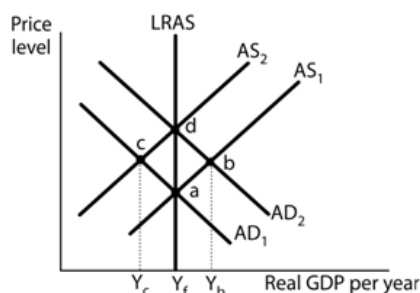
Select one:

- ☐ a. lower interest rate, higher exchange rate, decreased demand for investment and net exports
- ☐ b. higher interest rate, higher exchange rate, decreased demand for investment and decreased demand for net exports
- ☐ c. lower interest rate, lower exchange rate, increased demand for investment and net exports
- ☐ d. higher interest rate, lower exchange rate, decreased demand for investment and increased demand for net exports

Question 5

Not yet answered

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Exhibit: Figure 11-5

In this exhibit (Figure 11-5), if the economy is at point b:

Select one:

- ☐ a. the unemployment rate is negative.
- ☐ b. the unemployment rate is zero.
- ☐ c. the level of employment is greater than the natural level of employment.
- ☐ d. it is at the natural level of employment.

Question 6

Not yet answered

Marked out of 1.00

On October 12, 1987, the Dow Jones Industrial Average plunged 508 points, wiping out more than \$500 billion in a few hours. How did the Fed respond to this drastic fall in the stock market index?

Select one:

- ☐ a. The Fed responded precisely as it did when faced with a similar situation in 1929, that is, it deemed that no action was necessary.
- ☐ b. To encourage the business community to invest in the stock market, the Fed announced that it will sell federal securities to raise the interest rate.
- ☐ c. In an attempt to ward off a recession, the Fed announced that it will provide adequate liquidity, by buying federal securities.
- ☐ d. The Fed provided long-term loans to those corporations that experienced significant decreases in their stock value.

Question 7

Not yet answered

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What are the three types of monetary policy lags?

Select one:

- ☐ a. the recognition lag, the identification lag, and the implementation lag
- ☐ b. the recognition lag, the inflation lag, and the impact lag
- ☐ c. the recognition lag, the implementation lag, and the government lag
- ☐ d. the recognition lag, the implementation lag, and the impact lag

Question 8

Not yet answered

Marked out of 1.00

The problem of lags suggests that monetary policy should:

Select one:

- ☐ a. respond swiftly to statistical reports of economic conditions in the recent past.
- ☐ b. respond to conditions expected to exist in the future.
- ☐ c. stagger its implementation of policies so that there will be an ongoing effect on the economy.
- ☐ d. not respond to changing economic conditions in the economy but instead rely on the economy's self correcting mechanism.

Question 9

Not yet answered

Marked out of 1.00

Which of the following statements is true if interest rates were zero?

Select one:

- ☐ a. The demand for bonds increases because bonds will be a more attractive alternative to money.
- ☐ b. People will hold their wealth in the form of money rather than in bonds.
- ☐ c. Bonds and money will become perfect substitutes since both are non-interest earning assets.
- ☐ d. The supply of bonds will increase.

Question 10

Not yet answered

Marked out of 1.00

Which of the following equations correctly describes the quantity equation in terms of percentage rate of change? Δ means "change in."

Select one:

- ☐ a. $\% \Delta M \div \% \Delta V = \% \Delta P \propto \% \Delta Y$
- ☐ b. $\% \Delta M + \% \Delta V = \% \Delta P + \% \Delta Y$
- ☐ c. $\% \Delta M \div \% \Delta V = \% \Delta Y \div \% \Delta P$
- ☐ d. $\% \Delta M \propto \% \Delta V = \% \Delta P \propto \% \Delta Y$

