Name: ______________________ Date: ___________

1. Who is Ben Bernanke?
   A) the Secretary of the U.S. Treasury
   B) the Chairman of the President's Council of Economic Advisors
   C) the Vice President of the United States
   D) the Chairman of the Federal Reserve

2. The monetary base (MB) refers to:
   A) currency.
   B) currency plus total reserves held at the Fed.
   C) currency plus checkable deposits.
   D) currency, savings deposits, money market mutual funds, and small time deposits.

3. Money is best defined as:
   A) anything that has a high nominal value.
   B) anything that is a widely accepted means of payment.
   C) only the amount we spend in a given period.
   D) the total amount of fixed assets we own.

4. If the required reserve ratio is 4%, the money multiplier is:
   A) 4.
   B) 16.
   C) 20.
   D) 25.

5. Commercial banks make profits primarily through:
   A) the interest differential between deposits and loans.
   B) interest paid on deposits.
   C) interest paid on required reserves.
   D) bailouts by the Fed.

6. Bank A has $100 million in deposits, $15 million in required reserves, and $85 million in loans. Bank A's reserve ratio is:
   A) 10%.
   B) 15%.
   C) 20%.
   D) 75%.

7. In a fractional reserve banking system, banks hold only a fraction of their:
   A) loans as reserves.
   B) deposits as reserves.
   C) currency as reserves.
   D) monetary base.

8. Suppose you deposit $1,000 in your checking account. If the reserve ratio is 10%, how much of your deposit can the bank loan?
   A) $0.
   B) $100.
   C) $900.
   D) $1,000.

9. If the Fed sells $200 million in government bonds, the total money supply will:
   A) decrease by more than $200 million.
   B) decrease by less than $200 million but more than $0 million.
   C) decrease by exactly $200 million.
   D) not change.

10. When the Federal Reserve buys bonds, the demand curve for bonds:
    A) does not shift.
    B) shifts outward.
    C) shifts inward.
    D) sometimes shifts inward and sometimes shifts outward.

Answer Key

1. D
2. B
3. B
4. D
5. A
6. B
7. B
8. C
9. A
10. B