

Name: _____

Score: _____

50 Multiple choice questions

Definition

1 of 50

workers who have been displaced by technology or because their skills are no longer in demand

- ☐ Structural unemployment
- ☐ Cyclical unemployment
- ☐ Seasonal unemployment
- ☐ Frictional unemployment

Definition

what you earn from an asset. Investors want low risk and high return, but generally only high risk will yield high return

- ☐ **The FED**
- ☐ **Return (ROI) on investment**
- ☐ **Money**
- ☐ **Opportunity cost**

Definition

each household made everything it needed

-usually inefficient

-brought about specialization and dependency

☐ **Relative prices**

☐ **Self-sufficiency**

☐ **Opportunity cost**

☐ **discouraged worker**

Definition

1. standard of value
2. store of value
3. medium of exchange

- ☐ **Three functions of money**
- ☐ **Return (ROI) on investment**
- ☐ **Legal Reserve Requirement**
- ☐ **How to employ loose:**

Definition

1. Spoilage
2. Divisibility
3. Transportation
4. Equality
5. "Double coincidence of wants"
6. Commodity money
7. Fiat (or paper) money

☐ **Barter System**☐ **Advantages to the barter system**☐ **Disadvantages of barter system**☐ **The unemployment insurance system helps to _____ aggregate demand during recessions**

Term

Three features of fractional reserve banking:

☐ that amount of unemployment that will always exist (even at potential GDP)

1. standard of value

☐ 2. store of value

3. medium of exchange

- term

☐ - risk

- liquidity

- administrative cost - cost associated with making loans

1. bank profitability

☐ 2. bank discretion over the money supply

3. Exposure to runs

Term

General Reasons for Growth of the Unemployment Rate

- ☐ the exchange of goods for other goods
 - take deposits from one group and loan them out to others.
 - serve as financial instruments to their customers
- ☐ 1. banks
 - 2. savings and loans (S & L)
 - 3. Insurance Companies
- ☐ workers who have been displaced by technology or because their skills are no longer in demand
 - composition of labor force
- ☐ - generosity of unemployment compensation
 - more strict regulation of inflation

Definition

8 of 50

refers to the ease at which an item can be converted into cash, and not lose its value.

- ☐ Solvency
- ☐ Equity
- ☐ Liquidity
- ☐ Profitability

Definition

9 of 50

Used during recessions; attempts to put money in people's pockets

- ☐ Hard
- ☐ Tight
- ☐ Strict
- ☐ Loose

Definition

- i. Stop printing money - shred more money
 - 1. 250 million destroyed each day
- ii. Raise interest rates
 - 1. Makes it less likely for people to borrow money
- iii. Change legal reserve requirement
 - 1. Raise it - lend out less money - keep more in vault

☐ **How to employ tight:**

☐ **Cyclical unemployment**

☐ **Some unemployment trends:**

☐ **How to employ loose:**

Definition

11 of 50

the number of unemployed people, expressed as a percentage of the labor force

- ☐ **Unemployment rate**
- ☐ **Inflation rate**
- ☐ **Participation rate**
- ☐ **Poverty rate**

Definition

12 of 50

anything that serves as a medium of exchange

- ☐ **Land**
- ☐ **Stock**
- ☐ **Labor**
- ☐ **Money**

Term

5 presidents of the FED district banks get a seat on the FOMC

- ☐ - NY always gets a seat
- other 4 rotate

- ☐ 1. Frictional
- ☐ 2. Structural
- 3. Cyclical

- ☐ 1. standard of value
- ☐ 2. store of value
- 3. medium of exchange

- ☐ the central bank of the U.S., est. 1914

Definition

the central bank of the U.S., est. 1914

- ☐ Federal deposit insurance corporation (fdic)
- ☐ Office of the comptroller of the currency (occ)
- ☐ American credit union board (acub)
- ☐ Federal Reserve Board (FED)

Definition

the minimum amount of reserve required by the FED. (usually around 10%)

- ☐ Legal Reserve Requirement
- ☐ Federal Funds Rate
- ☐ Discount Rate
- ☐ Opportunity Cost

Definition

an unemployed person who gives up looking for work, and is no longer counted as part of the labor force.

- ☐ **frictionally unemployed**
- ☐ **structurally unemployed**
- ☐ **discouraged worker**
- ☐ **cyclically unemployed**

Definition

coins, paper currency, checking accounts (debit cards)

- ☐ **M1 - narrow money; includes**
- ☐ **M3 - aggregate money; omits**
- ☐ **M0 - reserve money; excludes**
- ☐ **M2 - broad money; excludes**

Term

Barter System

- ☐ **the exchange of services for other services**
- ☐ **the exchange of goods for other goods**
- ☐ **the exchange of goods for currency**
- ☐ **the exchange of goods for services**

Definition

due to a decline in the economy's total production. It rises during a recession and falls as prosperity is restored

- ☐ **Search unemployment**
- ☐ **Cyclical unemployment**
- ☐ **Structural unemployment**
- ☐ **Frictional unemployment**

Definition

not a member of any branch of the government. It has a great deal of independence. Its main objective is to fight inflation.

- ☐ **The FED**
- ☐ **The Fdic**
- ☐ **Both A And B**
- ☐ **Money**

Term

How to employ loose:

i. **Stop printing money - shred more money**

1. **250 million destroyed each day**

ii. **Raise interest rates**

1. **Makes it less likely for people to borrow money**

iii. **Change legal reserve requirement**

1. **Raise it - lend out less money - keep more in vault**

an unemployed person who gives up looking for work, and is no longer counted as part of the labor force.

i. **Increase supply of money**

ii. **Lower interest rates**

iii. **Lower legal reserve requirement**

the number of unemployed people, expressed as a percentage of the labor force

Definition

money solely because the government says it is. This began as receipts from goldsmiths, and people would trade them as I-O-U's.

- ☐ **Fiat (or paper) money**
- ☐ **Relative prices**
- ☐ **M1 - narrow money; includes**
- ☐ **Commodity money**

Definition

an item's price in terms of some other item, rather than in terms of dollars *** in general lenders lose and borrowers gain money

- ☐ **Relative prices**
- ☐ **Absolute prices**
- ☐ **Real interest rates**
- ☐ **Preferences**

Definition

number of people holding or seeking jobs (employed + unemployed)

- ☐ labor union
- ☐ discouraged worker
- ☐ money
- ☐ labor force

Term

M2 - broad money; includes everything in M1 +

- ☐ checking accounts, cds and bonds
- ☐ savings accounts, money markets and mutual funds
- ☐ real estate, commodities and derivatives
- ☐ government securities, stocks and futures

Definition

the opportunity cost of increasing consumption and decreasing savings is the interest lost on spending

- ☐ **Opportunity cost**
- ☐ **Variable cost**
- ☐ **Total cost**
- ☐ **Sunk cost**

Term

Where do credit cards fit in?

- ☐ they represent cash transactions
- ☐ they are part of the money supply
- ☐ they don't. loans = debt, not money
- ☐ they are included in m1 category

Definition

system that guarantees that depositors will not lose money even if their bank goes bankrupt. Most bank deposits are insured by the Federal Deposit Insurance Corporation (FDIC); est. 1933.

- ☐ **Bank Reserves**
- ☐ **Deposit Insurance**
- ☐ **Hazard Insurance**
- ☐ **Barter System**

Definition

encourages us as personal investors, to diversify our assets. (don't put all your eggs in one basket)

- ☐ **Product Cycle Theory.**
- ☐ **Capital Market Theory**
- ☐ **Portfolio Theory**
- ☐ **Security Analysis**

Term

Interest rates

- ☐ fee charged for saving money
- ☐ cost of financial services
- ☐ price paid to borrow money
- ☐ rate earned on investments

Definition

due to normal turnover in the labor market; includes people who are temporarily between jobs because they are moving or changing occupation

- ☐ **Frictional unemployment**
- ☐ **Natural unemployment**
- ☐ **Cyclical unemployment**
- ☐ **Structural unemployment**

Definition

- term
- risk
- liquidity
- administrative cost - cost associated with making loans

☐ **Interest rates**

☐ **Natural rate of unemployment**

☐ **Interest rates determined by**

☐ **Fractional Reserve Banking**

Term

Components of the money supply

- ☐ M0 & M1 & P
- ☐ M3 & M4 & N
- ☐ M2 & M3 & Q
- ☐ M1 & M2 & L

Definition

the policy making group

-board of governors

-5 presidents of the federal reserve district banks (12 actual banks)

- ☐ **Advantages to the barter system**
- ☐ **Tight**
- ☐ **Federal Open Market Committee (FOMC)**
- ☐ **General Reasons for Growth of the Unemployment Rate**

Term

Frictional and Structural are _____ included in the natural rate of unemployment

- ☐ **BOTH**
- ☐ **due to normal turnover in the labor market; includes people who are temporarily between jobs because they are moving or changing occupation**
- ☐ **1. bank profitability**
- ☐ **2. bank discretion over the money supply**
- ☐ **3. Exposure to runs**
- ☐ **M1 & M2 & L**

Definition

Opportunity cost of unemployment is the potential goods and services that could have been provided to consumers.

- ☐ Sunk cost
- ☐ Variable cost
- ☐ Opportunity cost
- ☐ Total cost

Term

Some unemployment trends:

- married men suffer the least from unemployment
- teenagers suffer the most from unemployment
- ☐ - non-whites are unemployed much more often than white people
- blue-collar workers have above average rates of unemployment
- well educated people have below average rates of unemployment

i. Stop printing money - shred more money

1. 250 million destroyed each day

☐ ii. Raise interest rates

1. Makes it less likely for people to borrow money

iii. Change legal reserve requirement

1. Raise it - lend out less money - keep more in vault

i. Increase supply of money

☐ ii. Lower interest rates

iii. Lower legal reserve requirement

- 7 members - appointed by the president with Senate confirmation; 14 year nonrenewable term



- 1 president - appointed by the president; 4 year renewable term; currently Janet Yellen

Term

38 of 50

L - near money; M2 +



fixed assets



household assets



liquid assets



both

Definition

1. Easily carried
2. Easily stored
3. Easily divisible
4. Protectable
5. Controllable

☐ **Two types of monetary Policy**

☐ **The unemployment insurance system helps to _____ aggregate demand during recessions**

☐ **Advantages to the barter system**

☐ **Disadvantages of barter system**

Term

Three Types of Unemployment

1. standard of value

☐ 2. store of value

3. medium of exchange

1. Frictional

☐ 2. Structural

3. Cyclical

☐ they don't. loans = debt, not money

☐ the central bank of the U.S., est. 1914

Definition

finding someone who has what you want, and wants what you have at the same time

- ☐ Money
- ☐ Opportunity cost
- ☐ Double coincidence of wants
- ☐ Discouraged worker

Definition

an object is used as a medium of exchange and other items are assigned value in relation to it

- ☐ **Commodity money**
- ☐ **Electronic money**
- ☐ **Both commodity money and fiat money**
- ☐ **Paper money**

Definition

take deposits from one group and loan them out to others.

- serve as financial instruments to their customers

1. banks

2. savings and loans (S & L)

3. Insurance Companies

☐ **Disadvantages of barter system**

☐ **General Reasons for Growth of the Unemployment Rate**

☐ **Federal Open Market Committee (FOMC)**

☐ **Financial Intermediaries**

Definition

Used during an inflationary period when there is too much money for too few goods and services

☐ **Loose**

☐ **Easy**

☐ **Soft**

☐ **Tight**

Term

The unemployment insurance system helps to _____ aggregate demand during recessions

- ☐ "prop up"
- ☐ "stabilize"
- ☐ "reduce"
- ☐ "suppress"

Definition

the volume of goods and services that a given sum of money will buy (inflation erodes purchasing power)

- ☐ **Purchasing power**
- ☐ **Inflation**
- ☐ **Money**
- ☐ **Utility**

Term

Two types of monetary Policy

- ☐ Buy and Sell
- ☐ Quantity and Quality
- ☐ BOTH
- ☐ Tight and Loose

Definition

that amount of unemployment that will always exist (even at potential GDP)

- ☐ Frictional rate of unemployment
- ☐ Cyclical unemployment
- ☐ Frictional unemployment
- ☐ Natural rate of unemployment

Definition

bankers keep as reserves only a fraction of the funds they hold on deposit

- ☐ **100% Reserve Banking**
- ☐ **Fractional Reserve Banking**
- ☐ **Required Reserves**
- ☐ **Deposit Insurance**

Definition

- 7 members - appointed by the president with Senate confirmation; 14 year nonrenewable term
- 1 president - appointed by the president; 4 year renewable term; currently Janet Yellen

- ☐ **Unemployment rate**
- ☐ **Fiat (or paper) money**
- ☐ **Board of Governors**
- ☐ **Commodity money**