

Name: \_\_\_\_\_

Score: \_\_\_\_\_

## 50 Multiple choice questions

### Definition

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

☐ **Strict**☐ **Tight**☐ **Loose**☐ **Hard**

## Term

### General Reasons for Growth of the Unemployment Rate

- composition of labor force
- ☐ - generosity of unemployment compensation
- more strict regulation of inflation
  
- ☐ workers who have been displaced by technology or because their skills are no longer in demand
  
- ☐ finding someone who has what you want, and wants what you have at the same time
  
- 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

**Definition**

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

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

**Definition**

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

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

**Definition**

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

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

**Definition**

each household made everything it needed

-usually inefficient

-brought about specialization and dependency

- ☐ **Commodity money**
- ☐ **Unemployment rate**
- ☐ **Return (ROI) on investment**
- ☐ **Self-sufficiency**

**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

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

☐ **Structural unemployment**

☐ **Disadvantages of barter system**

☐ **Financial Intermediaries**

**Definition**

coins, paper currency, checking accounts (debit cards)

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



**Term**

Frictional and Structural are \_\_\_\_\_ included in the natural rate of unemployment

- ☐ that amount of unemployment that will always exist (even at potential GDP)
- ☐ BOTH
- ☐ savings accounts, money markets and mutual funds
- ☐ 1. bank profitability
- ☐ 2. bank discretion over the money supply
- ☐ 3. Exposure to runs

**Definition**

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

- ☐ **Legal Reserve Requirement**
- ☐ **Where do credit cards fit in?**
- ☐ **Three functions of money**
- ☐ **Return (ROI) on investment**

**Term****Barter System**

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

## 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

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

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

## Term

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

- ☐ **- NY always gets a seat**
  - other 4 rotate**
- ☐ **they don't. loans = debt, not money**
- ☐ **savings accounts, money markets and mutual funds**

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

**Definition**

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

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

**Term**

L - near money; M2 +

- ☐ **fixed assets**
- ☐ **both**
- ☐ **liquid assets**
- ☐ **household assets**

## Term

Three features of fractional reserve banking:

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

1. bank profitability

2. bank discretion over the money supply

3. Exposure to runs

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

1. standard of value

2. store of value

3. medium of exchange



**Term**

The unemployment insurance system helps to \_\_\_\_\_ aggregate demand during recessions

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

**Definition**

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

☐ **Disadvantages of barter system**

☐ **Two types of monetary Policy**

☐ **Financial Intermediaries**

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

**Definition**

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

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

**Definition**

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

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

**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

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

**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:**

☐ **Some unemployment trends:**

☐ **Frictional unemployment**

☐ **Relative prices**

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

**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**

**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.

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



## Definition

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

## ☐ Three Types of Unemployment

## ☐ Natural rate of unemployment

## ☐ Fractional Reserve Banking

## ☐ Interest rates determined by

**Definition**

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

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

**Definition**

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

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

**Definition**

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

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

**Definition**

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

- ☐ **Soft**
- ☐ **Tight**
- ☐ **Easy**
- ☐ **Loose**

**Definition**

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

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

**Definition**

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

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

**Term**

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Two types of monetary Policy

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

**Definition**

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

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



**Term**

M2 - broad money; includes everything in M1 +

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

**Definition**

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

☐ **Disadvantages of barter system**

☐ **Two types of monetary Policy**

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

☐ **Advantages to the barter system**

**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**
- ☐ **discouraged worker**

**Definition**

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

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

**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**

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

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

## Term

How to employ loose:

- ☐ the number of unemployed people, expressed as a percentage of the labor force
- ☐ 1. standard of value
- ☐ 2. store of value
- ☐ 3. medium of exchange
- ☐ 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

## Term

### Three Types of Unemployment

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

1. Frictional

2. Structural

3. Cyclical

they don't. loans = debt, not money

i. Increase supply of money

ii. Lower interest rates

iii. Lower legal reserve requirement



**Definition**

anything that serves as a medium of exchange

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

**Term**

Interest rates

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

**Definition**

the policy making group

-board of governors

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

- ☐ **Federal Open Market Committee (FOMC)**
- ☐ **Tight**
- ☐ **General Reasons for Growth of the Unemployment Rate**
- ☐ **Financial Intermediaries**

**Term**

Components of the money supply

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

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

**Definition**

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

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

**Definition**

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

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

**Term**

Where do credit cards fit in?

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