Problem 1. Define *short run* and *long run*.

Problem 2. Which of the following are implied by the LRAS? (More than one may be true.)

(a) Government spending completely crowds out private spending

(b) The money supply will not affect real GDP and other real variables like unemployment and the real wage

(c) Government borrowing can affect monetary policy via the Fisher effect

(d) The Federal Reserve can reduce efficiency wages by reducing inflation

Problem 3. This dude said, "In the long run, we are all dead."

(a) Adam Smith

(b) John Maynard Keynes

(c) David Ricardo

(d) Kanye West

(e) "Macho Man" Randy Savage

(f) Count Chocula

(g) None of the above

Problem 4. According to Keynes (short run), which of the following is the trigger for recessions?

(a) supply shocks

(b) erratic monetary policy

(c) demand shocks

(d) wage and price rigidity

Problem 5. Shifts in the SRAS are caused by

(a) changes in inventory

(b) changes in production costs

(c) changes in substitute goods

(d) changes in the house of flies

(e) none of the above

Problem 6. A slow self-correcting mechanism is seen as

(a) a vertical AD

(b) a horizontal AD

(c) a flatter AD

(d) a steeper AD

(e) all of the below

Problem 7. Which of the following is a reason some economists cite against using an expansionary fiscal policy during a recession?

(a) coordination failure

(b) fallacy of composition

(c) sticky wages and prices

(d) self-correcting mechanism

(e) always not none of the pseudo-quasi-stochastically-above

Problem 8. Stagflation poses a policy dilemma because

(a) expansionary policy would cause inflation to increase even more

(b) contractionary policy would cause output to fall even more

(c) self-correcting mechanism takes a long time

(d) all of the above

(e) all of the above and none of the above and only some of the above and three of the below