**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.** If the government increases its purchases through deficit financing, what will be the long-run result (assuming wage and price flexibility)?

**(a)** real GDP will remain the same, price level will remain the same, nominal interest rate increases, real interest rate increases

**(b)** real GDP will remain the same, price level increases, nominal interest rate increases, real interest rate increases

**(c)** real GDP will remain the same, price level increases, nominal interest rate increases, real interest rate remains the same

**(d)** real GDP will remain the same, price level increases, nominal interest rate will remain the same, real interest rate will remain the same

**Problem 4.** 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 5.** 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 6.** 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 7.** 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 8.** 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 9.** 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