

ECON132
Online Quiz Ch31-32

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Question 1

Incorrect

Mark 0 out of 1

Flag question

Currency and checkable deposits are:

Select one:

- a. The major components of money supply M1
- b. Assets of the Federal Reserve Banks or of financial institutions
- c. Of intrinsic value which determines the relative worth of money
- d. Redeemable for gold and silver from the Federal Reserve System ✘

The correct answer is: The major components of money supply M1

Question 2

Correct

Mark 1 out of 1

Flag question

Michelle transfers \$4,000 from her savings account to her checking account. What effect is this change likely to have on M1 and M2?

Select one:

- a. M2 increases and M1 stays the same
- b. M1 increases and M2 stays the same
- c. M1 increases and M2 decreases,
- d. M1 decreases and M2 increases

The correct answer is: M1 increases and M2 stays the same

Question 3

Correct

Mark 1 out of 1

Flag question

If the value of the dollar is falling, then it follows that:

Select one:

- a. The price index is rising ✓
- b. Nominal incomes are falling
- c. Interest rates are rising
- d. The price index is falling

The correct answer is: The price index is rising

Question 4

Correct

Mark 1 out of 1

Flag question

In an economy, the government wants to increase aggregate demand by \$50 billion at each price level to increase real GDP and reduce unemployment. If the MPS is 0.4, then it could increase government spending by:

Select one:

- a. \$40.50 billion
- b. \$20 billion ✓
- c. \$31.25 billion
- d. \$10 billion

The correct answer is: \$20 billion

Question 5

Correct

Mark 1 out of 1

🚩 Flag question

When the Federal government uses taxation and spending actions to stimulate the economy it is conducting:

Select one:

- a. Incomes policy
- b. Fiscal policy ✓
- c. Monetary policy
- d. Employment policy

The correct answer is: Fiscal policy

Question 6

Correct

Mark 1 out of 1

Flag question

If product prices were stated in terms of tobacco leaves, then tobacco leaves would be functioning primarily as:

Select one:

- a. Fiat money
- b. A store of value
- c. Legal tender
- d. A unit of account ✓

The correct answer is: A unit of account

Question 7

Correct

Mark 1 out of 1

Flag question

The M1 money supply is composed of:

Select one:

- a. Bank deposits of households and business firms
- b. Bank deposits and mutual funds
- c. Checkable deposits and currency in circulation ✓
- d. All coins and paper money held by the general public and the banks

The correct answer is: Checkable deposits and currency in circulation

Question 8

Correct

Mark 1 out of 1

🚩 Flag question

If the economy is in a recession and prices are relatively stable, then the discretionary fiscal policy or policies that would most likely be recommended to correct this macroeconomic problem would be:

Select one:

- a. Increased government spending or increased taxation, but not a combination of the two actions
- b. Increased government spending or increased taxation, or a combination of the two actions
- c. Increased government spending or decreased taxation, or a combination of the two actions ✓
- d. Decreased government spending or decreased taxation, or a combination of the two actions

Question 9

Correct

Mark 1 out of 1

🚩 Flag question

Which of the following serves as an automatic stabilizer in the economy?

Select one:

- a. Exchange rates
- b. The inflation rate
- c. The progressive income tax ✓
- d. Interest rates

The correct answer is: The progressive income tax

Question 10

Incorrect

Mark 0 out of 1

Flag question

An expansionary fiscal policy can be illustrated by a:

Select one:

- a. Upward movement along an aggregate supply curve
- b. Leftward shift in the aggregate supply curve ✘
- c. Downward movement along an aggregate supply curve
- d. Rightward shift in the aggregate supply curve

The correct answer is: Upward movement along an aggregate supply curve