**Economics 203/Quiz 5 (Put your name on your scantron)**

1. The picture of Germans sweeping currency into the gutter in the reflects

a. large increases in the amount of German Marks

b. the switch from a gold standard to a paper standard

c. the increase of the population rapidly relative to resources

d. none of the above

2. Which of the following is the direct mechanism with which the Federal Reserve System can influence in the economy?

a. exchange rates b. Fed Funds rate

c. money supply d. none of the above

3. The Federal Reserve System is part of

a. the U.S. Department of Treasury b. the Internal Revenue Service

c. the U.S. Mint d. none of the above

4. During the 1970s, interest rates in the U.S. reached historically high levels. The primary contributor to this was

a. high growth in government spending b. high growth in money supply

c. high growth in government debt d. none of the above

5. Which of the following reflects the interest paid on short term loans between banks

a. Treasury Bill rate b. discount rate

c. Fed Funds rate d. none of the above

6. The term “shadow banking system” refers to

a. short term, illegal loans that take place in the U.S. economy

b. the lending that occurs between the U.S. Treasury and households

c. banks holding less than the full amount of deposits in their vault

d. none of the above

7. The term “lender of last resort”

a. applies to the FDIC in its guarantees of bank deposits up to a certain level

b. applies to the Fed as in its ability to lend to the banking system

c. applies to a few very large New York-centered banks

d. none of the above

8. The Federal Reserve System

a. is composed of decision makers who are all appointed by the President

b. contains elements of the private sector and the public sector

c. is unique in its role when compared with other countries

d. none of the above

9. The clip we viewed from the film “It’s a Wonderful Life” illustrates

a. the problem of too much borrowing for housing

b. a financial panic

c. the response of the Fed to bank runs

d. none of the above

10. A gold money standard implies

a. a fixed conversation rate between a dollar and an ounce of gold

b. that gold is used as the unit of exchanges or transactions

c. that the value of a dollar can never change because gold’s value does not change

d. none of the above

11. The use of the payments system in the U.S. relies on

a. a stable value for gold

b. the functioning of the wholesale money market

c. low levels of U.S. debt

d. none of the above

12. The brief report on the Milton Friedman video focused on

a. the bank runs of 1907

b. the stock market collapse of 1929

c. the financial problems of 2008

d. none of the above

13. The “Fisher Equation” for nominal interest rates is

a. Nominal Rate = Fed Funds Rate + Inflation Rate

b. Nominal Rate = Real Rate + Expected Inflation

c. Nominal Rate = LIBOR + TBill rate

d. none of the above

14. The Fed

a. can change interest rates in the economy by their decisions

b. can influence interest rates through changing money supply

c. have had little impact on interest rates over the past 50 years

d. none of the above

15. Inflation is the same thing as

a. changes in interest rates b. percent changes in the CPI

c. increases in purchasing power d. none of the above

16. Whenever rates of inflation above 10 percent are observed, the cause is almost certainaly

a. increases in interest rates

b. increases in exchange rates

c. increases in the money supply

d. none of the above

17. Changes in the demand for money have an influence on its value. The demand for money is

a. the opposite of the velocity of money b. equal to increases in inflation

c. directly related to the price level d. none of the above

18. The extraordinarily high interest rates of the 1970s in the U.S. reflected

a. high oil prices b. unusually high rates of construction

c. rising values of the dollar d. none of the above

19. Pick the accurate statement below

a. gold money standards and paper standards both rely on the commitment of a government not to devalue money

b. items used as money usually are subject to wide swings in their supply

c. the financial panic of 2008 involved threats to large companies but not average households

d. none of the above

20. The Treasury Yield Curve

a. helps predict recessions

b. displays interest rates for different kinds of companies

c. displays the difference in interest rates and inflation rates

d. none of the above

21. Put “A” for the answer  
Correct Answers: 1a, 2c, 3d, 4b, 5c, 6d, 7b, 8b, 9b, 10a, 11b, 12d, 13b, 14b, 15b, 16c, 17a, 18d, 19a, 20a