**Economics 203/Quiz 4**

1. Choose the answer below which makes an accurate statement about the nature of post World War II business cycles

a. recessions occur with relatively consistent frequency and intensity

b. recessions and expansion have been nearly equal in length and duration

c. recessions since World War II have tended to last considerably longer than those before World War II

d. markets, especially labor markets, tend to behave differently during recessions

2. The most recent U.S. recession

a. was very similar in length and severity to the prior two

b. lasted almost twice as long as average post WWII recessions

c. approached the length and severity of the Great Depression

d. none of the above

3. Reference Figure 1 for the correct answer below

a. A represents a “peak”

b. B represents a “trough”

c. C represents long run trend growth

d. all of the above

4. During the Great Depression in the US,

a. unemployment reached a peak of ab10%

b. real GDP declined by just over 10%

c. about 12,000 (or half of existing) banks failed

d. all of the above

5. The best evidence to date indicates that recessions arise from

a. large shocks to resources such as oil prices

b. financial market overinvestment and collapse

c. shifts and readjustments in types of goods produced

d. all of the above

6. A fiscal policy “multiplier” of 0.7 implies that

a. GDP will increase more than the increase in government spending

b. GDP will increase 7 times more than the increase in government spending

c. GDP will increase less than the increase in government spending

d. GDP will decrease by about 0.7 percent

7. Fiscal policy includes

a. taxes and government spending

b. the monetary base and Fed Funds rate

c. government debt and the money supply

d. none of the above

8. What period in U.S. economic history illustrates the problems that can arise with the use of countercyclical monetary stimulus?

a. 1930s b. 1940s

c. 1970s d. 1990s

9. Over the long run, real gdp has grown at about what rate (trend) per year?

a. 1% b. 3%

c. 5% d. 7%

10. Choose the answer below which makes an accurate statement business cycles

a. recessions occur with relatively consistent frequency and intensity

b. recessions and expansion have been nearly equal in length and duration

c. recessions since World War II have tended to be shorter than those before World War II

d. all of the above

11. On a worldwide basis, what is the frequency of economic depressions?

a. about 1 per country per decade

b. about 2 per country per 30 years

c. about 3 per country per 100 years

d. about 10 per country per 100 years

12. A problem with generating desired results from “countercyclical” fiscal policy stimulus is that

a. increases in the money supply may lead to higher inflation

b. higher government spending now means higher unemployment later

c. usually, the money is spent so quickly as to have little impact

d. none of the above

13. In the November 2010 monetary stimulus

a. the Fed injected about $600 billion dollars into the economy

b. the Treasury sold about $1 trillion in additional government bonds

c. the Fed extended special loans to an additional sector of non-bank financial companies

d. all of the above

14. Monetary stimulus and fiscal stimulus are similar in that

a. both are similar to counterfeiting money or bonds and attempting to fool people with it

b. both have been shown to bring about large reductions in unemployment rates

c. both are more effective when interest rates are very high

d. both are more effective when large amounts are used

15. How might the current large fiscal stimulus ultimately lead to higher money growth and inflation?

a. if the economy grows at a very fast rate because of the stimulus

b. if Congress is unwilling to pass future taxes high enough to cover the additional spending

c. if foreign currency is attracted to the U.S. in much higher quantities

d. none of the above

16. One adjustment to economic data during the Great Depression is that

a. GDP grew faster than reported data because of WWII

b. unemployment was lower than reported data because of WWII

c. prices would have fallen by more without the price restrictions imposed during WWII

d. none of the above

17. What are the two most widely watched economic figures indicating whether an economy is in an expansion or recession?

a. unemployment rate and money supply

b. GDP growth rate and fed funds rate

c. unemployment rate and GDP growth rate

d. fed funds rate and CPI

18. The most recent recession (by official reckoning)

a. began in the fall of 2008 and is still going on

b. began in late 2007 and ended in the summer of 2009

c. began in the fall of 2006 and ended in the fall of 2008

d. began in the fall of 2008 and ended in the spring of 2009

19. The term “quantitative easing” is the same thing as

a. increasing the money supply b. issuing government bonds

c. lowering taxes d. lowering the CPI

20. A problem with a gold standard with a fixed conversion rate between gold and dollars that emerged during the Great Depression was that

a. instead of gold prices increasing, all other prices significantly fell

b. banks could not hold enough gold in their vaults

c. silver replaced gold as the preferred precious metal

d. none of the above

21. Put “A” for the answer

Correct Answers: 1d, 2b, 3c, 4c, 5d, 6c, 7a, 8c, 9b, 10c, 11c, 12d, 13a, 14a, 15d, 16d, 17c, 18b, 19a, 20a,