**Economics 203/Quiz 6**

1. The largest recessions of the past 50 years occurred from 2007-09 and which other time frame?

a. early 1990s b. early 1980s

c. early 1970s d. early 1960s

2. A “depression” is usually defined as

a. a recession lasting more than 2 years

b. a recession where unemployment exceeds 10%

c. a recession where real gdp falls by more than 10%
d. none of the above

3. Select the correct answer below:

a. the longest recession in U.S. history occurred in the 1870s

b. the most severe recession in U.S. history occurred in the 1930s

c. the U.S. experienced 3 or 4 recessions from 1969 to 1982

d. all of the above

4. Using the graphic to the right and the NBER’s terminology,

a. the move from A to B is a recession

b. the move from A to B is an expansion

c. A represents a trough

d. none of the above

5. The NBER table dating recessions and expansions indicates that

a. recessions have occured less frequently since World War II than before

b. recessions have dominated the impact of long run

c. recessions have occured at a regular rate of 2 per decade

d. all of the above

6. The long term average growth rate is

a. about 1 percent for real gdp and about 0.5 percent for per capita real gdp

b. about 5 percent for real gdp and about 1 percent for real gdp per capita

c. about 10 percent for real gdp and about 7 percent for real gdp per capita

d. none of the above

7. Nominal GDP in the U.S. is currently about

a. $17 trillion b. $14 trillion

c. $10 trillion c. $7 trillion

8. Evidence regarding the causes of recessions indicates that one of the influences is likely

a. international trade b. large spikes in oil prices

c. shifts of sectors of employment d. all of the above

9. “Fiscal stimulus” refers to attempts to boost the economy by

a. creation of money by the federal reserve

b. lowering of interest rates by the federal reserve

c. bond-financed increases in government spending by the treasury

d. all of the above

10. Which of the following provides the strongest evidence in support of the idea that changes in sectors, locations or types of goods produced can cause recessions:

a. post World War II recession b. 2001 recession

c. Great Depression d. none of the above

11. The idea of “fiscal illusion” refers to

a. markets must treat newly created money by the Fed as they increase real income

b. individuals must be highly responsive to changes in interest rates

c. markets treat newly created government bonds as if they increase real incomes

d. none of the above

12. During recessions

a. unemployment increases and real gdp falls

b. unemployment increases and employment increases

c. unemployment increases and interest rates increase

d. none of the above

13. Which of the following describes U.S. experience with monetary stimulus in the 1970s

a. worked well in reducing the frequency and severity of recessions

b. worked some at first until individuals began to figure out the Fed’s actions

c. didn’t work well at the beginning of the decade but better toward the end

d. was not used during the 1970s

14. Select the correct answer:
a. countercyclical policy tries to offset downturns in long run growth

b. fiscal policy is determined by the Federal Reserve

c. monetary policy is determined by the U.S. Treasury

d. none of the above

15. U.S. recessions

a. come every 4-5 years

b. mean that real gdp falls by at least 5%

c. come at irregular intervals

d. none of the above

16. During the Great Depression in the US,

a. unemployment reached 25% b. real GDP declined by about 30%

c. about 12,000 banks failed d. all of the above

17. A government spending multiplier of 1.5 would mean that

a. each additional 1% of government spending lowers unemployment by 1.5%

b. each additional 1% of government spending lowers interest rates by 1.5%

c. each additional 1% of government spending raises real GDP by 1.5%

d. none of the above

18. Over the long run, the multiplier for government spending is estimated to be about

a. 0.7 b. 1.0

c. 1.3 d. 2.0

19. A difficulty in measuring government spending multipliers for fiscal stimulus is that

a. government spending is difficult to measure on an aggregate basis

b. government spending not only influences gdp by is influenced by it

c. separating the impact of government spending from the impact of interest rates is difficult

d. none of the above

20. Unemployment in the U.S. is currently closest to

a. 7.2% b. 5.5%

c. 9.1% d. 8.5%

21. Put “A” for the answer

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