**Economics 203/Test 5**

1. The period of economic depression in the U.S. known as the “Long Depression” with 65 months of economic downturn was during the

a. 1870s b. 1910s

c. 1950s c. none of the above

2. The most severe economic downturn in American history occurred during the

a. 1850s b. 1890s

c. 1930s d. none of the above

3. An economic “depression” is generally defined as

a. an increase in unemployment beyond 10 percent

b. a decrease in real GDP of 10 percent or more

c. two consecutive years of decreases in real GDP

4. One of the major causes of the Great Depression grew out of

a. the result of the worldwide flu epidemic

b. the U.S. and other countries abandoning the gold standard for a paper standard

c. the financial market collapse and connected bank panics

d. none of the above

5. We extensively discussed the graphic from Visualizing Economics showing long run growth of real GDP per capita. One key point seen in this graphic is that

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

b. long run growth has dominated the short run impact of recessions

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 3 percent for real gdp and about 2 percent for real gdp per capita

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

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

7. The most significant recessionary period in the U.S. prior to the most recent episode occured

a. just after 9/11 in 2001-02

b. during the first Persian Gulf War in 1990-91

c. during the late 1970s and early 1980s

d. during the late 1960s

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

a. innovation that causes shifts in the locations or types of goods produced

b. the use of paper money instead of the gold standard

c. the influx of foreign dollars into U.S. companies

d. all of the above

9. The term “countercyclical” when applied to policy efforts refers to

a. attempts to generate long run economic growth through permanent reductions in taxes

b. attempts to offset increases in the rate of inflation

c. attempts to offset the effects of recessions

d. none of the above

10. Fiscal policy refers to the use of

a. interest rates by the Federal Reserve

b. government spending financed by debt/deficits

c. assistance to the financial industry during bank runs

d. all of the above

11. In our discussion of causes of the crash of 2008, which of the following, from my perspective, played the biggest role in creating the underlying problem:

a. increases in the

we discussed how debt played a big role. From 2000 to 2008

a. the amount of debt doubled from about $25T to about $50T

b. almost all of this debt was incurred in home mortgage markets

12. Which of the following was a key event in the timeline leading up or into the Crash of September 2008?

a. the troubles of home mortgage backers Fannie Mae and Freddie Mac

b. the increase in inflation from 2004-2007

c. the rapid decline in commodity prices during the summer of 2008

d. all of the above

13. Which of the following was my “poster project” slide for the large commercial loans that built up during the 2000s:

a. the Miami Metro Center

b. the Los Angeles Grove Center

c. the San Franciso Harbor

d. none of the above

14. In terms of other financial crisis of the past 100 years, the one in 2008

a. exceeded all others in terms of the size of the stock market drop

b. exhibited a small decline in real GDP

c. lasted longer than any other similar event

d. all of the above

15. The brief report centered on

a. the banking panics of the early 1930s b. the banking panics of 1907

c. the banking panics of 2008 d. none of the above

16. For “fiscal stimulus” to be effective

a. markets must treat newly created money by the Fed as if it increases in real income

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

c. the “multipler” must be less than 1

d. none of the above

17. Countercycical monetary policy involves. Which federal agency known has the mission and some ability to stem system-wide panics in the banking system:

a. the FDIC b. The U.S. Treasury

c. the Dept of Commerce d. none of the above

18. Which of the following provided a clear signal that financial markets were not functioning well from the summer of 2007 onward through 2008?

a. big differences between LIBOR and T-Bill rates

b. big differences between Fed Funds rates and T-Bill rates

c. big differences between Fed Funds rates and home mortgage rates

d. none of the above

19. During the Great Depression in the US,

a. unemployment reached 25% b. real GDP declined by just over 10%

c. about 1000 banks failed d. all of the above

20 The official date for the start of the most recent recesssion was

a. late 2007 b. summer 2008

b. fall 2008 c. spring 2009

21. Put “A” for the answer

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