Econ201 Quiz 6 F2003

Multiple Choice
Identify the letter of the choice that best completes the statement or answers the question.

____ 1. A consequence of an inflationary gap is ____________ since output begins to decrease and prices continue to increase.
   a. stagflation
   b. reflation
   c. disinflation
   d. perflation

____ 2. After September 11, 2001, President George W. Bush believed in the need to stimulate the economy through fiscal policy. The proper fiscal policy to reflect this could include a(n)
   a. decrease in taxes.
   b. reduction in transfer payments.
   c. decrease in government purchases.
   d. All of the above are correct.

____ 3. Reductions in the personal income tax, often advocated by supply-siders to increase labor supply and effort, can be expected to also
   a. decrease consumption spending.
   b. increase consumption spending.
   c. decrease investment spending.
   d. decrease exports.

____ 4. The official definition of the money supply that includes only coins, paper money, travelers' checks, conventional checking accounts, and other checkable deposits at banks and savings institutions is called ___________. This is the most liquid definition of the money supply.
   a. M1
   b. M2
   c. M3
   d. L

____ 5. When a bank makes loans with excess reserves, it
   a. increases the money supply.
   b. decreases the money supply.
   c. prints currency and mints coin.
   d. leaves the money supply unchanged.

____ 6. If the required reserve ratio, RRR, is 20 percent (0.2), then the oversimplified money supply multiplier is
   a. 10.
   b. 5.
   c. 4.
   d. 2.
MULTIPLE CHOICE

1. A
2. A
3. B
4. A
5. A
6. B