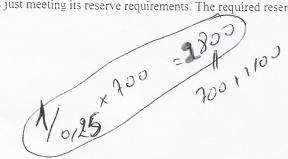
- Which of the following policies would have the greatest impact on equilibrium national income?
 - a. A \$100 increase in government purchases
 - b. A \$100 decrease in net taxes
 - (c) A \$100 increase in government purchases coupled with a \$100 decrease in net taxes
 - d. A \$100 increase in government purchases coupled with a \$100 increase in net
 - e. Both a and b above, since they have the same impact on equilibrium national income
- If the MPC is 2/3 and tax collections decrease by \$3 billion, equilibrium national income will
 - a. Decrease by \$2 billion
 - b. Decrease by \$6 billion
 - c. Decrease by \$9 billion
 - dy Increase by \$6 billion
 - e. Increase by \$9 billion

(Bonk rate, discount

- Central Bank purchases of securities
 - (a) Cause bank reserves to increase
 - b. Always decrease the money supply
 - c. Generally decrease the money supply
 - d. Are designed to increase trading on the stock exchange
 - e. None of the above
- The discount rate is the rate of interest
 - a. Banks charge on loans for stock purchases
 - b. Banks charge to their preferred customers
 - The Central Bank pays when it borrows from the Treasury
 - d. Charged to banks when they borrow from the Central Bank
 - e. Charged to banks when they borrow the excess reserves of other banks
- When people hold money in order to take advantage of a change in interest rates. they are said to have a
 - a. Supply of liquidity
 - b. Speculative supply for money

 - © Speculative demand for money d. Precautionary demand for money
 - e. Transactions demand for liquidity

- The demand curve for money a. Is primarily determined by the Central Bank Tends to be positively sloped, because of the speculative demand for money. Typically arises because of transactions, precautionary, and speculative demand for money d. All of the above e. Shows the relationship between the quantity of money a person has and the value of his or her nonmonetary assets. The transactions demand for money a. Determines the amount of cash in circulation b. Would generally decrease with increases in wealth (c.) Is likely to be affected by the level of national income d. Arises because people want to be prepared for the unexpected e. Enables people to take advantage of changes in the interest rate
 - Given an MPC of 4/5 and an equal decrease in government purchases and net tax collection, a Keynesian would predict that there would be
 - a. No change in equilibrium national income
 - b. An increase in equilibrium national income equal to the decrease in government purchases
 - A decrease in equilibrium national income equal to the decrease in government purchases
 - d. A decrease in equilibrium national income five times the change in government purchases
 - e. A decrease in equilibrium national income equal to the sum of the decrease in government purchases and tax collections
 - If the required reserve ratio were 12 ½ % the value of the monetary multiplier would be:
 - a. 5
 - b. 6
 - 10. The commercial banking system has excess reserves of \$700 and makes new loans of \$2100 and is just meeting its reserve requirements. The required reserve ratio is:
 - 20% 0. 25%
 - c. 30%
 - d. 33 ¹/₃%



	11.	Which of the following is the most important control used by the Central Bank to regulate the money supply? a. Changing the reserve ratio Open-market operations c. Changing the discount rate d. Changing the margin requirements
	12.	When cash is deposited in a demand-deposit account in a commercial bank there is: a. A decrease in the money supply b. An increase in the money supply c. No change in the composition of the money supply d. A change in the composition of the money supply
	13.	A commercial bank has actual reserves of \$9,000 and deposit liabilities of \$30,000; and the required reserve ratio is 20%. The excess reserves of the bank are: \$3,000 b. \$6,000 c. \$7,500 d. \$9,000
	(14.)	If the marginal propensity to consume is 0.67 and both taxes and government purchases of goods and services increase by \$25, real NNP will a. Fall by \$25 C. Fall by \$75 d. Rise by \$75
	15.	Which of the following policies would decrease total expenditures the most? a. Increase taxes by \$5 billion Reduce government purchases of goods and services by \$5 billion d. Reduce both taxes and government purchases by \$5 billion
	16.	A commercial bank has deposit liabilities of \$100,000, reserves of \$37.000, and a required reserve ratio of 25%. The amount by which a <i>single commercial bank</i> and the amount by which the <i>banking system</i> can increase loans are, respectively: b. \$12,000 and \$48,000 c. \$12,000 and \$60,000 d. \$17,000 and \$85,000
	17.	Checkable deposits are money because they are: a. Legal tender b. Fiat money C A medium of exchange d. Token money

18. If the government wishes to increase the level of GDP, it might

Reduce taxesReduce its purchases of goods and services

c. Reduce transfer payments

d. Reduce the size of the budget deficit

- 19. The supply of money is determined by the Central Bank and does not change when the interest rate changes, so therefore the:
 - a. Supply of money curve is downward sloping
 - b. Demand for money curve is downward sloping
 - c. Supply of money curve is upward sloping
 - (d.) Supply of money curve is vertical
- 20. Which one of the following points would be true?
 - a. Bond prices and the interest rate are directly related.
 - b. A lower interest rate raises the opportunity cost of holding money

The supply of money is directly related to the interest rate

d. The total demand for money is inversely related to the interest rate

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