Name:
Weekly Review 10 – Due Wednesday, 11/11
Bring to class, having attempted as much as possible
We will grade in class
Turn in corrected assignment to Blackboard after class

1. (2 points) What are the two main functions of the federal reserve?

    a. Fueling economic growth
    b. Promoting stable prices
    c. Staying out of the way of business
    d. Maintaining maximum employment

2. (1 point) What is the federal funds rate?

    a. The interest rate at which households borrow from each other
    b. The interest rate at which households borrow from banks
    c. The interest rate for overnight borrowing for banks
    d. The interest rate for nations borrowing from each other.

3. (1 point) An “easing” of monetary policy refers to:

    a. The repayment of loans by business
    b. The lowering of the federal funds rate by the fed
    c. Contractionary monetary policy
    d. A tightening of monetary policy

4. (1 point) During a recession, the central bank is most likely to:

    a. Raise the interest rate
    b. Raise the reserve requirement
    c. Lower the interest rate
    d. Buy up mortgages

5. (1 point) The most likely economic situation in which a government would implement contractionary fiscal policy is …

    a) government budget surpluses.
    b) high unemployment.
    c) low unemployment.
    d) high inflation.

6. (1 point) How does the Federal Reserve affect the supply of money using open market operations?

    a) The Fed increases interest rates and then prints more money so that borrowers will be able to pay the higher rates.
    b) The Fed sells government bonds, which increases aggregate demand and requires more money to be printed.
    c) The Fed buys government bonds from banks, which increases the banks' reserves with the Fed and allows them to make new loans.
    d) The Fed increases the reserve requirements of bank and thus banks must obtain additional funds from the Fed.

7. (1 point) A liquidity trap refers to when…

    a. a central bank cannot raise interest rates enough to prevent inflation.
    b. a central bank runs out of funds to lend to private banks.
    c. a central bank cannot lower reserve requirements any further.
    d. a central bank cannot lower interest rates any further.

8. (1 point) If interest rates are lower than inflation rates then,
    a. The Fed is trying to bring on a recession
    b. The nation must be experiencing hyper inflation
    c. Money in savings earning an interest rate is decreasing in purchasing power
    d. The economy is heating up

9. (1 point) Graphically, open market operations will show up FIRST as:
    a. A shift to the right of the supply in the money market
    b. A shift upward of aggregate demand
    c. A shift to the right of the money demand
    d. A shift to the right of the 45-degree line.