

Name:

Weekly Review 11 – Due Wednesday, 11/18

Bring to class, having attempted as much as possible

We will grade in class

Turn in corrected assignment to Blackboard after class

1. (1 point) “Crowding out” due to government spending refers to ...
  - a. supply-side tax cuts reducing entitlement spending.
  - b. reduced consumption due to increases in marginal tax rates.
  - c. a reduction in the availability of private capital.
  - d. None of these.
  
2. (1 point) The government has a budget deficit if...
  - a. total government tax revenues are greater than the total government outlays.
  - b. total government tax revenues are equal to the total government outlays.
  - c. total government tax revenues are less than the total government outlays.
  - d. total government tax revenues are greater than government transfers.
  
3. (1 point) What does Classical monetary theory state will happen with an increase in the money supply?
  - a. Prices will fall and GDP will rise
  - b. Prices and GDP will both rise
  - c. Prices will rise and GDP will remain the same
  - d. Prices will rise and GDP will fall
  
4. (1 point) The real money supply is equal to...
  - a. the nominal money supply divided by the velocity of money.
  - b. the nominal money supply divided by depreciation.
  - c. the nominal money supply divided by the general price level.
  - d. the nominal money supply times the velocity of money.
  
5. (1 point) Which economic theory suggests it is currently possible for the US government to put money into circulation without issuing debt and still not encounter dangerous inflation?
  - a. Classical
  - b. Neoclassical
  - c. Monetarists
  - d. Modern Monetarists

6. (1 point) Which of the following is NOT a way that the US government finances its expenditure?

- a. Collecting taxes from households and businesses
- b. Receiving unsolicited contributions from the private sector
- c. Borrowing from households
- d. Injecting currency into the economy by printing

7. Match the following words with their definitions (4 points)

- a. Debt \_\_\_\_\_
- b. Deficit \_\_\_\_\_
- c. Debt-to-GDP ratio \_\_\_\_\_
- d. Deficit-to-GDP ratio \_\_\_\_\_

Select one of the following for each of the above

- e. How many years of economic activity it would take to repay money owed
- f. T-G
- g. The total amount owed
- h. What percentage of that years economic activity was financed by borrowing from the government