

Pool Canvas

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Name TestBanks Chapter 2 Multiple-Choice Questions
Description Question pool for TestBanks Chapter 2 Multiple-Choice Questions
Instructions

[Modify](#)

[Add Question Here](#)

Question 1 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

The central bank of the United States is the _____, and it is responsible for _____.

- Answer**
- Treasury Department; controlling money supply
 - Federal Reserve System; controlling money supply
 - federal government; issuing bonds

[Add Question Here](#)

Question 2 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

In October of 2005, Ben Bernanke became the:

- Answer**
- Secretary of the Treasury.
 - president of Bank of America.
 - head of the Office of the Comptroller.
 - chair of the Federal Reserve System.

[Add Question Here](#)

Question 3 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Money serves an economy as a:

- Answer**
- medium of exchange.
 - unit of account.
 - store of value.
 - All of the answers are correct.

[Add Question Here](#)

Question 4 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Money serves all of the following functions *except* as a:

- Answer**
- synonym for income.
 - medium of exchange.
 - unit of account.
 - store of value.

[Add Question Here](#)

Question 5 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Money serves all of the following functions *except* as a:

- Answer**
- medium of exchange.
 - synonym for wealth.
 - unit of account.
 - store of value.

[Add Question Here](#)

Question 6 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

For economists, money is a narrow class of assets that serves as an economy's:

- Answer**
- sole store of wealth.
 - traded goods.
 - medium of exchange.
 - None of the answers are correct.

[Add Question Here](#)

Question 7 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

The primary function of money is as a:

- Answer**
- medium of exchange.
 - store of value.
 - unit of account.
 - hedge against inflation.

[Add Question Here](#)

Question 8	Multiple Choice	0 points	Modify Remove
Question			
The amount of wealth that is held as money is defined as:			
Answer			
	<input type="checkbox"/>	income only.	
	<input checked="" type="checkbox"/>	money demand.	
	<input type="checkbox"/>	the interest rate.	
	<input type="checkbox"/>	accumulated assets.	
Add Question Here			
Question 9	Multiple Choice	0 points	Modify Remove
Question			
The “double coincidence of wants” is best described as:			
Answer			
	<input type="checkbox"/>	one party in a transaction wanting two things another party has.	
	<input type="checkbox"/>	only one party in a transaction having what the other (who brings money) wants.	
	<input type="checkbox"/>	when each party in a transaction must have some form of money to complete the transaction.	
	<input checked="" type="checkbox"/>	when each party in a transaction must have what the other wants.	
Add Question Here			
Question 10	Multiple Choice	0 points	Modify Remove
Question			
The more developed an economy, the:			
Answer			
	<input type="checkbox"/>	less specialized it is.	
	<input type="checkbox"/>	lower the search costs.	
	<input checked="" type="checkbox"/>	more severe the double-coincidence problem is.	
	<input type="checkbox"/>	less severe the double-coincidence problem is.	
Add Question Here			
Question 11	Multiple Choice	0 points	Modify Remove
Question			
The use of money in an economy:			
Answer			
	<input checked="" type="checkbox"/>	eliminates the double-coincidence-of-wants problem.	
	<input type="checkbox"/>	increases search costs.	
	<input type="checkbox"/>	increases transaction costs.	
	<input type="checkbox"/>	is useful only there are two or less goods traded.	
Add Question Here			
Question 12	Multiple Choice	0 points	Modify Remove
Question			
When money is used to measure prices and wages we are using it as a:			
Answer			
	<input type="checkbox"/>	medium of exchange.	
	<input checked="" type="checkbox"/>	unit of account.	
	<input type="checkbox"/>	store of value.	
	<input type="checkbox"/>	hedge against inflation.	
Add Question Here			
Question 13	Multiple Choice	0 points	Modify Remove
Question			
When money is used to measure prices and wages we are using it as a _____; whereas if it is used in transactions it is acting as a _____.			
Answer			
	<input checked="" type="checkbox"/>	unit of account; medium of exchange	
	<input type="checkbox"/>	unit of account; store of value	
	<input type="checkbox"/>	hedge against inflation; saving instrument	
	<input type="checkbox"/>	medium of exchange; unit of account	
Add Question Here			
Question 14	Multiple Choice	0 points	Modify Remove
Question			
The amount you get paid is using money as a _____, and when you buy a burger with it, it acts as a _____.			
Answer			
	<input checked="" type="checkbox"/>	unit of account; medium of exchange	
	<input type="checkbox"/>	unit of account; store of value	
	<input type="checkbox"/>	hedge against inflation; saving instrument	
	<input type="checkbox"/>	medium of exchange; unit of account	
Add Question Here			
Question 15	Multiple Choice	0 points	Modify Remove
Question			
If the price of a guitar is 300 boxes of cereal in Carlos' Store but in Jimi's Store the same guitar can be purchased for 100 CDs, which store is the cheapest place to buy the guitar?			
Answer			
	<input type="checkbox"/>	Carlos'	
	<input type="checkbox"/>	Jimi's	
	<input type="checkbox"/>	The cost is the same.	
	<input checked="" type="checkbox"/>	There is not enough information provided to answer the question.	
Add Question Here			
Question 16	Multiple Choice	0 points	Modify Remove

Question

If the price of a guitar is 300 boxes of cereal in Carlos' Store but in Jimi's Store the exact same guitar can be purchased for 100 CDs, what is the price of one CD in terms of cereal?

Answer

- one box
- three boxes
- one-third box
- There is not enough information provided to answer the question.

[◀ Add Question Here](#)

Question 17 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

In developed countries what is money's least important function?

Answer

- unit of exchange
- medium of exchange
- store of value
- None of the answers are correct.

[◀ Add Question Here](#)

Question 18 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

In developed countries money's least important function is as a _____ because _____.

Answer

- store of value; there is a wider variety of alternative assets
- unit of exchange; there is a wider variety of alternative assets
- store of value; of high rates of inflation in developed countries
- unit of exchange; of high rates of inflation in developed countries

[◀ Add Question Here](#)

Question 19 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

In developing countries people will generally hold _____ or _____ as a _____.

Answer

- euros; pesos; unit of account
- pesos; drachma; medium of exchange
- euros; dollars; unit of account
- euros; dollars; store of value

[◀ Add Question Here](#)

Question 20 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

In many developing countries people can hold bank accounts in a currency other than their own. In this case, foreign money is used:

Answer

- as a store of value.
- as a unit of account.
- to minimize the double-coincidence-of-wants problem.
- as a medium of exchange.

[◀ Add Question Here](#)

Question 21 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Which of the following criteria is *not* necessary for a commodity to function effectively as money?

Answer

- It must be widely accepted.
- It must be issued by a bank
- It must be easily standardized
- It must be easy to carry.

[◀ Add Question Here](#)

Question 22 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Money is useful as a store of value because it:

Answer

- protects against inflation.
- pays interest over time.
- retains purchasing power from the time income is received until it is spent.
- is easier to spend than are items such as art or jewelry.

[◀ Add Question Here](#)

Question 23 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

When money is used as a unit of account, we say that it measures _____ in the economy.

Answer

- prices
- the rate of exchange across goods
- inflation
- value

[◀ Add Question Here](#)

Question 24 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

When economists talk about money they include all of the following *except*:

- Answer** wealth.
 currency.
 checking account deposits.
 checks.

[◀ Add Question Here](#)

Question 25 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Money is a set of assets that function as:

- Answer** a medium of exchange.
 a store of value.
 a unit of account.
 a medium of exchange, store of value, and unit of account.

[◀ Add Question Here](#)

Question 26 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Which of the following assets can be used to buy goods or services at any location?

- Answer** A 10-year U.S. Treasury bond
 dollar bills
 a share of GM stock
 a 10-year U.S. Treasury bond, dollar bills, and a share of GM stock

[◀ Add Question Here](#)

Question 27 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

In a barter economy, individuals trade goods and services

- Answer** using money.
 for other goods and services.
 using commodity money.
 using fiat money.

[◀ Add Question Here](#)

Question 28 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Money facilitates trades in an economy because it eliminates the need for:

- Answer** a unit of account.
 a store of value.
 a double coincidence of wants.
 a financial market.

[◀ Add Question Here](#)

Question 29 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Each month Paula sets aside part of her monthly payment in her checking account. Paula is taking advantage of which of the following functions of money?

- Answer** a unit of account
 a store of value
 a medium of exchange
 a unit of exchange

[◀ Add Question Here](#)

Question 30 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Mario works as an economics professor. Each month, he receives a direct deposit from the university where he teaches, and he uses the balance on his checking account to pay for rent, food, transportation, and entertainment. This situation best describes which of the following functions of money?

- Answer** unit of account
 store of value
 medium of exchange
 store of payment

[◀ Add Question Here](#)

Question 31 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

You enter a grocery store and you note that all prices are quoted in dollars. This situation best describes which of the following functions of money?

- Answer** a unit of account
 a store of value
 a medium of exchange
 a store of payment

[◀ Add Question Here](#)

Question 32 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Which of the following are *not* examples of commodity money?

- Answer**
- gold
 - tobacco
 - whiskey
 - None of the answers are correct.

[◀ Add Question Here](#)

Question 33 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Commodity money is defined as

- Answer** a valuable good that serves as the medium of exchange.
- a valueless good that serves as the medium of exchange.
 - a bond.
 - paper.

[◀ Add Question Here](#)

Question 34 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

If an economy uses commodity money, which of the following characteristics must the commodity money have?

- Answer**
- be widely accepted
 - be durable
 - be divisible
 - All of the answers are correct.

[◀ Add Question Here](#)

Question 35 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Which of the following characteristics is *not* desirable for an economy that uses commodity money?

- Answer**
- widely accepted
 - durable
 - easily transported
 - None of the answers are correct.

[◀ Add Question Here](#)

Question 36 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Which of the following characteristics is *not* desirable for an economy that uses commodity money?

- Answer**
- durable
 - divisible
 - valueless
 - widely accepted

[◀ Add Question Here](#)

Question 37 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

When paper money was first introduced in Maryland and Virginia, it was backed by

- Answer**
- silver.
 - gold.
 - tobacco.
 - wheat.

[◀ Add Question Here](#)

Question 38 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

The 1964 James Bond film *Goldfinger* centered around a criminal who smuggled gold. At that time, international movements of gold were closely monitored; this implies the money in circulation was _____ money.

- Answer** commodity
- fiat
 - electronic
 - There is not enough information provided to answer the question.

[◀ Add Question Here](#)

Question 39 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Fiat money is backed by:

- Answer** nothing.
- gold.
 - silver.
 - cars.

[◀ Add Question Here](#)

Question 40 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

You can exchange fiat money for goods and services because:

- Answer**
- other people believe they can trade it for gold at a given rate.
 - other people believe they can purchase something with it.
 - it is backed by silver in vaults in Fort Knox.
 - There is not enough information provided to answer the question.

[◀ Add Question Here](#)

[Modify](#) | [Remove](#)

Question 41 **Multiple Choice** **0 points**

Question

Fiat money _____ and therefore you can exchange it for goods because _____.

- Answer** has no intrinsic value; others believe they can use it for other transactions
- is backed by gold; others believe they can trade it in for gold
 - is backed by gold; others believe they can use it for other transactions
 - has no intrinsic value; others believe they can trade it in for gold

[◀ Add Question Here](#)

[Modify](#) | [Remove](#)

Question 42 **Multiple Choice** **0 points**

Question

During the Revolutionary War the Continental dollar lost its value because:

- Answer**
- of inflation.
 - no one trusted it.
 - there were other currencies that people desired.
 - All of the answers are correct.

[◀ Add Question Here](#)

[Modify](#) | [Remove](#)

Question 43 **Multiple Choice** **0 points**

Question

To create a stable American currency, Alexander Hamilton introduced:

- Answer** dollar coins.
- Spanish pesos.
 - a fiat currency.
 - gold coins.

[◀ Add Question Here](#)

[Modify](#) | [Remove](#)

Question 44 **Multiple Choice** **0 points**

Question

During the "classical" gold standard period, the value of the dollar was about:

- Answer**
- \$35 per ounce of gold.
 - \$100 per pound of gold.
 - \$21 per ounce of gold.
 - \$100 per ounce of gold.

[◀ Add Question Here](#)

[Modify](#) | [Remove](#)

Question 45 **Multiple Choice** **0 points**

Question

The Federal Reserve System was established in:

- Answer**
- 1776.
 - 1865.
 - 1913.
 - 1948.

[◀ Add Question Here](#)

[Modify](#) | [Remove](#)

Question 46 **Multiple Choice** **0 points**

Question

During the Great Depression, President Roosevelt broke the link between the dollar and _____, and when the link was reestablished, the dollar was _____.

- Answer** gold; devalued
- silver; revalued
 - gold; overvalued
 - the UK pound; devalued

[◀ Add Question Here](#)

[Modify](#) | [Remove](#)

Question 47 **Multiple Choice** **0 points**

Question

When a country "dollarizes," it:

- Answer** replaces the domestic currency only with the dollar.
- replaces the domestic currency with a foreign currency.
 - replaces the dollar with an alternative currency.
 - adopts a fixed exchange rate system to the dollar.

[◀ Add Question Here](#)

[Modify](#) | [Remove](#)

Question 48 **Multiple Choice** **0 points**

Question

In countries _____ citizens often _____.

Answer ✓ with high inflation; use the dollar rather than their own currency
with high unemployment; use the dollar rather than their own currency
that are developed; worry about hyperinflation
There is not enough information provided to answer the question.

◀ [Add Question Here](#)

[Modify](#) | [Remove](#)

Question 49 **Multiple Choice** **0 points**

Question

Which of the following countries have *not* dollarized?

Answer Mexico
Argentina
Hong Kong
✓ All of the answers are correct.

◀ [Add Question Here](#)

[Modify](#) | [Remove](#)

Question 50 **Multiple Choice** **0 points**

Question

When a country adopts a currency board, it

Answer ✓ uses a currency backed by a foreign currency.
uses the dollar as its currency.
fixes its currency to the euro.
adopts a flexible exchange rate regime.

◀ [Add Question Here](#)

[Modify](#) | [Remove](#)

Question 51 **Multiple Choice** **0 points**

Question

When countries adopt a currency union, they _____ and _____.

Answer fix their currencies to each other; use interest rates to maintain the fix
adopt a gold standard; trade gold to maintain a fixed exchange rate
✓ abandon their own currency; replace it with a single currency
abandon their own currency; replace it with the dollar

◀ [Add Question Here](#)

[Modify](#) | [Remove](#)

Question 52 **Multiple Choice** **0 points**

Question

Why would a group of countries establish a currency union?

Answer to facilitate the flow of goods and services across borders
to use it as a symbol of political unity
to harmonize prices
✓ All of the answers are correct.

◀ [Add Question Here](#)

[Modify](#) | [Remove](#)

Question 53 **Multiple Choice** **0 points**

Question

An example of a currency union includes:

Answer ✓ euroland
MERCOSUR.
ASEAN.
EFTA.

◀ [Add Question Here](#)

[Modify](#) | [Remove](#)

Question 54 **Multiple Choice** **0 points**

Question

Within Uzbekistan, citizens would not accept worn dollars because:

Answer ✓ no one else would.
it was not the official Uzbekistani currency.
Uzbekistanis prefer euros.
the government banned the use of dollars.

◀ [Add Question Here](#)

[Modify](#) | [Remove](#)

Question 55 **Multiple Choice** **0 points**

Question

Precious metals lost their function as a form of money because:

Answer ✓ it was too difficult to carry them around.
they were not supported by the citizens.
they were too easy to counterfeit.
There is not enough information provided to answer the question.

◀ [Add Question Here](#)

[Modify](#) | [Remove](#)

Question 56 **Multiple Choice** **0 points**

Question

Money that has no intrinsic value is known as:

- Answer**
- a medium of exchange.
 - paper money.
 - ✓ fiat money.
 - commodity money.

[◀ Add Question Here](#)

Question 57 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Roughly _____ percent of U.S. currency is held abroad.

- Answer**
- 10
 - 25
 - ✓ 50
 - 75

[◀ Add Question Here](#)

Question 58 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

When several countries in the European Union adopted a single currency, they did it _____.

- Answer**
- to combat hyperinflation
 - to create a currency that could be used as fiat money
 - to create an alternative to the dollar
 - ✓ to create a symbol of political unity

[◀ Add Question Here](#)

Question 59 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Which of the following statements about fiat money is true?

- Answer**
- Fiat money can be redeemed for gold or silver.
 - Tobacco or grain are previous examples of fiat money.
 - ✓ Fiat money is declared “money” by governments.
 - All countries have the same fiat money.

[◀ Add Question Here](#)

Question 60 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

When a country sets a “currency board”:

- Answer** ✓
- it declares that the local currency can be exchanged at a fixed rate for a given foreign currency.
 - the local currency is replaced by the U.S. dollar.
 - the local currency loses value.
 - the local currency is replaced by the euro.

[◀ Add Question Here](#)

Question 61 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

When “dollarization” takes place:

- Answer** ✓
- a foreign currency becomes the medium of exchange, unit of account, and store of value, instead of the local currency.
 - the local currency is the only medium of exchange used in that country.
 - it is usually the result of prior low inflation rates.
 - the purchasing power of the foreign currency sharply decreases.

[◀ Add Question Here](#)

Question 62 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Suppose that in the island of Cocoaland, individuals trade goods and services using cocoa beans as the medium of exchange. Which of the following statements is true?

- Answer** ✓
- Cocoa beans are commodity money in Cocoaland.
 - Cocoa beans are a form of fiat money in Cocoaland.
 - Cocoaland is a barter economy.
 - Citizens of Cocoaland need a double coincidence of wants to conduct a trade.

[◀ Add Question Here](#)

Question 63 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Currently, the U.S. dollar is:

- Answer**
- a form of commodity money.
 - ✓ a form of fiat money.
 - a mixture between commodity money and fiat money (i.e., some agents can still redeem U.S. dollars for gold).
 - barter money.

[◀ Add Question Here](#)

Question 64 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

A worthless piece of paper (i.e., with no intrinsic value) that becomes the medium of exchange of a given country because the government decrees it so, is known as:

Answer

- commodity money.
- barter money.
- ✓ fiat money.
- audi money.

◀ [Add Question Here](#)

Question 65 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

When the U.S. government decided that U.S. dollars were not convertible into gold anymore (by neither individuals nor governments), the dollar became a form of:

Answer

- commodity money.
- precious metal money.
- barter money.
- ✓ fiat money.

◀ [Add Question Here](#)

Question 66 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Money supply:

Answer ✓ is the total amount of money in an economy.
has only one definition in the United States.
in circulation is known with certainty.
is defined as the amount of currency in circulation.

◀ [Add Question Here](#)

Question 67 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

M1 equals:

Answer

- currency + coins.
- ✓ currency + checking deposits + traveler's checks.
- checking deposits + savings accounts.
- currency + money market mutual funds.

◀ [Add Question Here](#)

Question 68 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

The ways to spend money in your checking account include:

Answer

- writing a check.
- using an ATM card.
- transferring funds via the Internet.
- ✓ All of the answers are correct.

◀ [Add Question Here](#)

Question 69 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

The increased use of ATM cards and the decline in the use of checks to make purchases:

Answer ✓ has had no effect on M1.
has reduced M1.
has increased M1.
There is not enough information provided to answer the question.

◀ [Add Question Here](#)

Question 70 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

When you buy something using a credit card,

Answer ✓ you are borrowing money.
you are loaning the seller money.
it is debited from your checking account.
it is debited from your savings account.

◀ [Add Question Here](#)

Question 71 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

When you buy something using a credit card,

Answer ✓ you are borrowing money.
it is included in M1.
it is debited from your checking account.
you generally pay a lower interest rate than you would if you borrowed directly from a bank.

◀ [Add Question Here](#)

Question 72 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Which of the following best describes the travels of your check to your friend Mason?

- Answer** You → Mason → Mason's Bank → Your Bank
 You → Mason → Your Bank
 ✓ You → Mason → Mason's Bank → Federal Reserve → Your Bank
 You → Mason → Federal Reserve → Your Bank

[◀ Add Question Here](#)

[Modify](#) | [Remove](#)

Question 73 **Multiple Choice** **0 points**

Question

The law that negates the need to physically transport checks through the banking system is called:

- Answer** the Federal Reserve Act.
 the Sarbanes-Oxley Act.
 the Sherman Act.
 ✓ Check21.

[◀ Add Question Here](#)

[Modify](#) | [Remove](#)

Question 74 **Multiple Choice** **0 points**

Question

Which of the following are forms of money?

- Answer** stored-value cards
 e-money
 ATM cards
 ✓ All of the answers are correct..

[◀ Add Question Here](#)

[Modify](#) | [Remove](#)

Question 75 **Multiple Choice** **0 points**

Question

Which of the following are forms of money?

- Answer** corporate bonds
 ✓ stored-value cards
 credit cards
 All of the answers are correct.

[◀ Add Question Here](#)

[Modify](#) | [Remove](#)

Question 76 **Multiple Choice** **0 points**

Question

Which of the following are forms of money?

- Answer** stored-value cards
 ATM cards
 PayPal
 ✓ All of the answers are correct.

[◀ Add Question Here](#)

[Modify](#) | [Remove](#)

Question 77 **Multiple Choice** **0 points**

Question

The narrowest measure of money that the Fed reports, M1, includes:

- Answer** ✓ traveler's checks not issued by banks.
 traveler's checks issued by banks.
 money-market deposit accounts.
 money-market mutual fund shares.

[◀ Add Question Here](#)

[Modify](#) | [Remove](#)

Question 78 **Multiple Choice** **0 points**

Question

Changes in the money supply have a big impact on the economy due to:

- Answer** money's role as a store of value.
 money's role as a unit of account.
 ✓ money's role as a medium of exchange.
 money's role as a fiat currency.

[◀ Add Question Here](#)

[Modify](#) | [Remove](#)

Question 79 **Multiple Choice** **0 points**

Question

When measuring the money supply, economists ignore:

- Answer** currency.
 ✓ payments made by credit cards.
 traveler's checks.
 checking deposits.

[◀ Add Question Here](#)

[Modify](#) | [Remove](#)

Question 80 **Multiple Choice** **0 points**

Question

Enactment of a federal law called _____ led to the use of digital imaging of checks that drove down the total cost of processing a check by about _____.

Answer

- EasyChecking; 20 percent
- Digicheck; 75 percent
- CheckNow; 20 percent
- ✓ Check21; 75 percent

[◀ Add Question Here](#)

Question 81 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

The Federal Reserve does not include cash on prepaid cards in the measure of money supply because:

Answer ✓

- the balances are small.
- payments are made electronically.
- the cards are prepaid.
- they are not issued by the Federal Reserve.

[◀ Add Question Here](#)

Question 82 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Suppose checkable deposits amount to \$900 billion, currency in circulation amounts to \$850 billion, and traveler's checks amount to \$7 billion. According to this information, M1 is:

Answer

- \$1743 billion.
- ✓ \$1757 billion.
- \$907 billion.
- \$1750 billion.

[◀ Add Question Here](#)

Question 83 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Suppose checkable deposits amount to \$950 billion, currency in circulation amounts to \$970 billion, and traveler's checks amount to \$12 billion. According to this information, M1 is:

Answer

- \$1920.
- \$2012.
- ✓ \$1932.
- \$982

[◀ Add Question Here](#)

Question 84 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

New types of money include:

Answer

- e-money.
- credit cards.
- stored-value cards.
- ✓ e-money and stored-value cards.

[◀ Add Question Here](#)

Question 85 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

According to the textbook, the balance on credit cards is:

Answer

- considered commodity money.
- considered fiat money.
- ✓ not considered money.
- considered e-money.

[◀ Add Question Here](#)

Question 86 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

PayPal accounts are linked to a checking account from where funds are eventually withdrawn or added to. This makes PayPal accounts a(n):

Answer ✓

- good candidate to be included on the M1 measure.
- variation of U.S. Treasury bills.
- perfect substitute for a traveler's check.
- an asset similar to a corporate bond.

[◀ Add Question Here](#)

Question 87 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Which of the following statements about the current payments system is true?

Answer

- Cash is the only means of payment considered to be money.
- ✓ When using a debit card, the same information is sent to your bank as if you wrote a check.
- Credit cards are considered to be money.
- Paypal accounts are part of M1.

[◀ Add Question Here](#)

Question 88 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Suppose you pay for your groceries by writing a check. Which of the following events will happen as a consequence?

- Answer** Your bank will increase the balance on your checking account by the amount of the check.
 Your bank will be instructed to transfer funds to the merchant's checking account.
 Your merchant receives your payment immediately.
 Your checking account is affected immediately.

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 89 **Multiple Choice** **0 points**

Question

Liquidity is defined as:

- Answer** how much money one has in the bank.
 the ease of converting an asset into money.
 total deposits on reserve.
 the amount of cash the bank must hold in the vault.

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 90 **Multiple Choice** **0 points**

Question

The cost of holding onto money is:

- Answer** the interest lost on other assets.
 the gain of purchasing power as prices fall.
 the price level.
 zero.

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 91 **Multiple Choice** **0 points**

Question

Holding liquid assets allows you to:

- Answer** be prepared for unforeseen expenses.
 use them for large purchases.
 earn interest on your money.
 maintain your purchasing power as inflation grows.

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 92 **Multiple Choice** **0 points**

Question

The least liquid asset is which of the following?

- Answer** real estate
 bonds
 stocks
 traveler's checks

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 93 **Multiple Choice** **0 points**

Question

Which of the following is true?

- Answer** $M3 > M2 > M1$
 $M3 > M2 = M1$
 $M3 < M2 < M1$
 $M3 = M2 = M1$

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 94 **Multiple Choice** **0 points**

Question

M2 equals:

- Answer** M1+ money market mutual.
 M1+ savings deposits + money market mutual.
 M1+ savings deposits + small time deposits + money market mutual funds.
 M3 + traveler's checks.

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 95 **Multiple Choice** **0 points**

Question

(Table 2.1)

Currency	761.7
Checking deposits	604.1
Traveler's checks	6.2
Savings deposits	4007.3
Small time deposits	1217.0
Retail money market mutual funds	1065.3
Institutional money funds	1882.0

Determine the amount of M1 and M2.

- Answer** $M1 = 1372$ and $M2 = 7661.6$.
 $M1 = 7661.6$ and $M2 = 6289.6$.
 $M1 = 1365.8$ and $M2 = 1372$.

M1 = 1372 and M2 = 5224.3.

Question 96	Multiple Choice	0 points	Add Question Here
	<p>Question Small time deposits are worth less than:</p>		Modify Remove
	<p>Answer</p> <ul style="list-style-type: none"> \$1000. \$1,000,000. ✓ \$100,000. \$10,000. 		
Question 97	Multiple Choice	0 points	Add Question Here
	<p>Question If you transfer \$1000 from your checking account to your savings account,</p>		Modify Remove
	<p>Answer</p> <ul style="list-style-type: none"> M1 falls and M2 increases. ✓ M1 falls and M2 stays the same. M2 falls and M1 increases. M1 and M2 stay the same. 		
Question 98	Multiple Choice	0 points	Add Question Here
	<p>Question Special accounts that move money back and forth between checking and money market accounts are called:</p>		Modify Remove
	<p>Answer</p> <ul style="list-style-type: none"> money market mutual funds. overnight repurchase agreements. eurodollars. ✓ sweep accounts. 		
Question 99	Multiple Choice	0 points	Add Question Here
	<p>Question If sweep accounts had not been introduced, M1 would have _____ after their introduction.</p>		Modify Remove
	<p>Answer</p> <ul style="list-style-type: none"> grown faster than it did before they were introduced. probably risen to equal M2. fallen to zero. ✓ probably continued growing at a similar rate instead of dropping. 		
Question 100	Multiple Choice	0 points	Add Question Here
	<p>Question M2 is known as broad money because it:</p>		Modify Remove
	<p>Answer</p> <ul style="list-style-type: none"> is very liquid. ✓ includes M1 plus other liquid assets. is a medium of exchange. includes money in the banks' vaults. 		
Question 101	Multiple Choice	0 points	Add Question Here
	<p>Question Banks tend to sweep funds from checking accounts into money market deposit accounts (MMDAs) because doing so:</p>		Modify Remove
	<p>Answer</p> <ul style="list-style-type: none"> increases M1. allows them to move funds from MMDAs into checking accounts. ✓ reduces their required reserves. increases the amount of interest they receive. 		
Question 102	Multiple Choice	0 points	Add Question Here
	<p>Question Which of the following assets is the most liquid?</p>		Modify Remove
	<p>Answer</p> <ul style="list-style-type: none"> a house a car ✓ a savings account a U.S. Treasury bond 		
Question 103	Multiple Choice	0 points	Add Question Here
	<p>Question Which of the following assets is the least liquid?</p>		Modify Remove
	<p>Answer</p> <ul style="list-style-type: none"> ✓ a car a checking account a savings account a U.S. Treasury bond 		
Question 104	Multiple Choice	0 points	Add Question Here
			Modify Remove

Question

Which of the following is a component of M2 that is *not* a component of M1?

- Answer**
- checking accounts
 - traveler's checks
 - retail money market mutual funds
 - currency

[◀ Add Question Here](#)

Question 105 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Which of the following is a component of M1 only (i.e., not part of M2)?

- Answer**
- small denomination time deposits
 - retail money market mutual funds
 - savings deposits
 - checking accounts

[◀ Add Question Here](#)

Question 106 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

If asset A is significantly more liquid than asset B, then it is _____ costly to convert asset A into cash than it is to convert asset B into cash. Furthermore, it is likely that asset B will be included in the _____ measure of money.

- Answer**
- more; M1
 - less; M1
 - less; M2
 - more; M2

[◀ Add Question Here](#)

Question 107 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Which of the following statements about M1 and M2 is true?

- Answer**
- Savings deposits represent about 10 percent of M2.
 - The most liquid assets are included in M1 only.
 - Money market deposit accounts are treated as checking accounts by the Fed.
 - All of the statements are true.

[◀ Add Question Here](#)

Question 108 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

When an individual moves money from his checking account into a savings account:

- Answer**
- both M1 and M2 decrease.
 - M1 decreases and M2 increases.
 - M1 decreases and M2 stays the same.
 - both M1 and M2 increase.

[◀ Add Question Here](#)

Question 109 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

When banks sweep funds from checking accounts to money market deposit accounts:

- Answer**
- M1 increases.
 - M1 decreases.
 - M1 stays the same.
 - M1 increases or decreases, depending on the size of the transaction.

[◀ Add Question Here](#)

Question 110 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

When an individual uses funds in her checking account to buy traveler's checks:

- Answer**
- both M1 and M2 stay the same.
 - M1 increases and M2 decreases.
 - both M1 and M2 decrease.
 - M1 decreases and M2 increases.

[◀ Add Question Here](#)

Question 111 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Which of the following are functions of a central bank?

- I. It is responsible for clearing checks.
- II. It conducts fiscal policy.
- III. It acts as the lender of last resort.

- Answer**
- I only
 - III only
 - I and III
 - I, II, and III

[◀ Add Question Here](#)

Question 112 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Which of the following are functions of a central bank?

- I. It is responsible for clearing checks.
- II. It conducts monetary policy.
- III. It sets prices.

Answer

- I only
- II only
- I and II
- I, II, and III

[◀ Add Question Here](#)

[Modify](#) | [Remove](#)

Question 113 **Multiple Choice** **0 points**

Question

Monetary policy is simply defined as:

Answer changing the money supply.
 keeping inflation at zero.
 ensuring that economic growth is at least 2 percent per year.
 changing tax rates.

[◀ Add Question Here](#)

[Modify](#) | [Remove](#)

Question 114 **Multiple Choice** **0 points**

Question

To prevent a liquidity crisis in the aftermath of September 11th, the Fed took which of the following actions?

- I. It acted as a lender of last resort.
- II. It tightened lending regulations.
- III. It gave interest-free loans to banks.

Answer

- I only
- II only
- III only
- I and II

[◀ Add Question Here](#)

[Modify](#) | [Remove](#)

Question 115 **Multiple Choice** **0 points**

Question

To prevent a liquidity crisis in the aftermath of September 11th, the Fed took which of the following actions?

- I. It acted as a lender of last resort.
- II. It raised the federal funds rate.
- III. It reduced income taxes.

Answer

- I only
- II only
- III only
- I and II

[◀ Add Question Here](#)

[Modify](#) | [Remove](#)

Question 116 **Multiple Choice** **0 points**

Question

During the financial crisis of 2007–2009, the Federal Reserve expanded its lending role by:

Answer

- purchasing commercial paper of manufacturing corporations.
- lending to investment banks.
- lending to nonfinancial corporations.
- All of the answers are correct.

[◀ Add Question Here](#)

[Modify](#) | [Remove](#)

Question 117 **Multiple Choice** **0 points**

Question

The Fed's regulatory role changed in 2010 as a result of:

Answer the Restoring America's Financial Stability Act.
 the Protecting the American Consumer Act.
 the Financial Crisis Inquiry Commission.
 the Troubled Asset Recovery Program (TARP).

[◀ Add Question Here](#)

[Modify](#) | [Remove](#)

Question 118 **Multiple Choice** **0 points**

Question

Which of the following is a function of the Federal Reserve?

Answer

- chartering U.S. banks
- conducting fiscal policy
- being the "lender of last resort"
- making sure that no investor suffers a loss in the U.S. financial system

[◀ Add Question Here](#)

[Modify](#) | [Remove](#)

Question 119 **Multiple Choice** **0 points**

Question

Which of the following statements about the Federal Reserve is true?

Answer

- The Federal Reserve is a commercial bank.
- There are 12 Federal Reserve banks that are part of the Federal Reserve System.
- The current Chairman of the Fed is Alan Greenspan.

Members of the Board of Governors are elected by the general public.

[◀ Add Question Here](#)

Question 120 **Multiple Choice**

0 points

[Modify](#)

[Remove](#)

Question

Which of the following statements about the Federal Reserve System is true?

Answer The Fed has no regulatory power over banks in the United States.

The current chairman of the Fed is Paul Volcker.

✓ The Fed performs its "lender of last resort" function only in very unusual circumstances.

Members of the Board of Governors are elected by the general public.

[◀ Add Question Here](#)

Question 121 **Multiple Choice**

0 points

[Modify](#)

[Remove](#)

Question

The Federal Reserve System is _____ and it is in charge of regulating _____.

Answer ✓ the central bank of the United States; private banks

the central bank of the United States; the New York Stock Exchange

an investment bank; private banks

an investment bank; the New York Stock Exchange

[◀ Add Question Here](#)

Question 122 **Multiple Choice**

0 points

[Modify](#)

[Remove](#)

Question

During the 2007–2009 financial crisis in the United States, the Federal Reserve, acting as the lender of last resort, lent funds to:

Answer deposit-taking institutions only.

✓ deposit-taking institutions and nondepository institutions (e.g., AIG and investment banks).

AIG only.

commercial banks only.

[◀ Add Question Here](#)

OK