

Test 4

Test Format:

6/8 Identifications (8 min)

3 Short Essay (30 min)

1. The University of Florida football coach gets paid three times more than the university's president because:
 - a) the popularity of football in Southern colleges
 - b) there are several thousand Americans who could competently coach a football team but only a few hundred who understand the complexities of being a university president
 - c) the coach has likely worked at the school longer than the president
 - d) the coach brings more revenue to the school than the president
 - e) the president won the lottery last year and does his/her job for fun

2. Which of the following sets the legal minimum-reserve ratio?
 - a) commercial banks
 - b) the Secretary of the Treasury
 - c) the Federal Reserve
 - d) Congress
 - e) Jordan

3. A bank may lend an amount equal to its
 - a) required reserves
 - b) total reserves
 - c) total assets
 - d) excess reserves
 - e) zip code

4. WTO stands for
 - a) World Trade Organization
 - b) Western Terms Operations
 - c) World Trade Open
 - d) Western Tariffs Out
 - e) What the orange?

5. Monetary Policy is determined largely by
 - a) American voters
 - b) George W. Bush
 - c) Congress
 - d) the Supreme Court
 - e) the Federal Reserve
 - f) Avery

What is money?

What characteristics make money useful?

What is the required reserve ratio? Why is it important?

What is the Federal Reserve? Who is on the Federal Reserve? How can the Federal Reserve affect the economy?

What is Fiscal Policy? What are the advantages and disadvantages of fiscal policy?

How do taxes affect the economy?

What role do banks play in the economy?

Taxes
Benefits principle
Ability to pay principle
Lump-Sum tax
Proportional tax
Progressive tax
Regressive tax
Income tax
Sales tax
Social Security tax
Property tax
Market failure
Public good
Private good
Externality
Free Rider Dilemma
Money
M1
M2
M3
Credit cards
Creation of money
Multiplier
Federal Reserve
Monetary Policy
Treasury Bonds
Expansionary Monetary Policy
Contractionary Monetary Policy
Open Market Operations
Discount Rate
Reserve Requirement
Monetary Policy
Recognition Lag
Decision Making Lag
Implementation Lag
Effectiveness Lag
Fiscal Policy