1. Which of the following is not an automatic stabilizer?
   a. forward-looking behavior
   b. interest rates
   c. imports
   d. transfer payments
   e. consumption spending

2. Automatic stabilizers reduce fluctuations in GDP by
   a. eliminating spending shocks
   b. increasing the amount of spending each year
   c. reducing the additional spending that occurs in each round of the multiplier
   d. increasing saving
   e. reducing the need for government involvement in the economy

3. If the marginal propensity to consume is 0.6, what is the long-run expenditure multiplier?
   a. 0.0
   b. 2.0
   c. 2.5
   d. 10.0
   e. 1.0

4. The reason the short-run macro model suggests that the economy can operate either above or below its potential while in the long-run classical model the economy operates automatically at full employment is that
   a. the short-run macro model is flawed and inaccurate
   b. the classical model is flawed and inaccurate
   c. the two models measure completely different aspects of the economy
   d. in the short run, spending affects output, but not in the long run
   e. in the short run the role of government in helping the economy return to equilibrium is not considered

5. The impact of saving on the economy is
   a. always beneficial
   b. always harmful
   c. beneficial in the short run, but not in the long run
   d. beneficial in the long run, but not necessarily in the short run
   e. neutral in both the short run and the long run
6. Fiscal policy
   a. is dangerous in the short run because it crowds out investment spending
   b. can change equilibrium GDP in the short run
   c. can change equilibrium GDP in the long run
   d. can change equilibrium GDP in both the long and the short run
   e. is dangerous in the long run because it triggers a multiplier effect

7. Which of the following is the proper order of assets ranked from most to least liquid?
   a. travelers' checks, small time deposits, savings-type accounts
   b. small time deposits, large time deposits, demand deposits
   c. cash in the hands of the public, savings-type accounts, demand deposits
   d. cash in the hands of the public, money market mutual funds, small time deposits

8. Which of the following is not included in the M1 money stock?
   a. small time deposits
   b. demand deposits
   c. checking account deposits
   d. travelers' checks
   e. cash in the hands of the public

9. Which of the following is not an example of a commercial bank’s liabilities?
   a. checking account deposits
   b. demand deposits
   c. loans
   d. none of the above

10. Which of the following is not a function of the Federal Reserve System?
    a. supervising the banking system
    b. deciding the maximum interest rates banks can charge for loans
    c. clearing checks
    d. acting as a bank for banks