Econ 202
Homework 4
20 Points

1. The tax multiplier is
    a. larger than the government spending multiplier.
    b. smaller than the government spending multiplier.
    c. the same size as the government spending multiplier.
    d. exactly twice as large as the consumer spending multiplier.

2. The balanced budget multiplier
    a. results in a an economic impact equal to the size of the change in government spending.
    b. is equal to 1.
    c. results in stimulus even though taxes are raised.
    d. All of the above.

3. The tax multiplier is equal to
    a. $b-t$
    b. $(1-b)(1-t)$
    c. $1/(1-b(1-t))$
    d. $1/(1-b)$

4. Assume the economy is in a severe recession. Which of the following policies would be consistent with Keynesian fiscal policy?
    a. a legislation requiring the government to balance the budget annually.
    b. a reduction in agricultural subsidies.
    c. an increase in corporate income taxes.
    d. a Congressional proposal to generate a surplus to pay off the national debt.
    e. an increase in highway construction programs and veteran's benefits.

5. If Congress votes to decrease government spending and at the same time raise corporate taxes,
    a. the federal government will probably operate with a budget deficit.
    b. Congress has adopted the proper fiscal policy for combating inflation.
    c. Congress has adopted the proper fiscal policy for combating a recession.
    d. Congress has decided to reduce the national debt.
    e. b and d

6. Which of the following is an appropriate fiscal policy for the government to follow?
   a. deficit reduction during recession.
   b. deficit reduction during inflation.
   c. deficit expansion in an inflationary gap.
   d. all of the above.

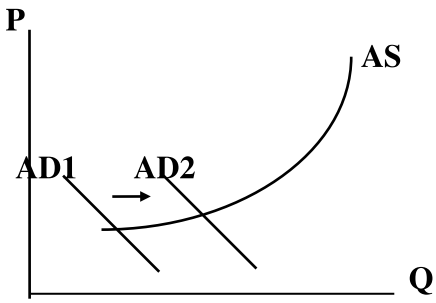
7. An increase in unemployment
   a. leads to an automatic increase in government expenditures.
   b. leads to an automatic reduction in government tax revenues.
   c. automatically increases the budget deficit or reduces the budget surplus.
   d. all of the above.

8. Which of the following will reduce the deficit, but contract the economy?
   a. greater government expenditure and lower taxes.
   b. greater government expenditure and higher taxes.
   c. lower government expenditure and lower taxes.
   d. lower government expenditure and higher taxes.
   e. all of the above.

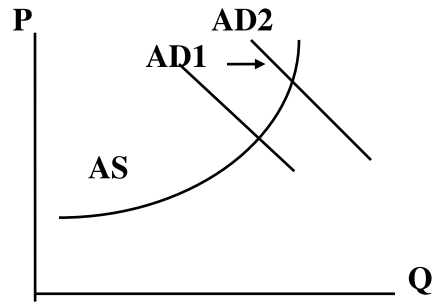
9. What percent of the National Debt is owed to foreigners?
   a. 45%
   b. 24%
   c. 69%
   d. 31%
   e. 7%

10. According to the deficit and debt web page, from 2000 to 2011 which discretionary fiscal policy increased the federal debt the most?
   a. Tax cuts.
   b. War spending.
   c. Stimulus spending.
   d. the recession itself.

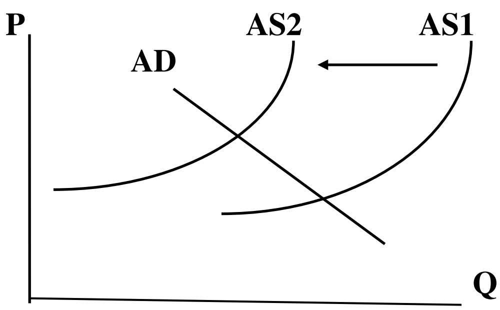
A



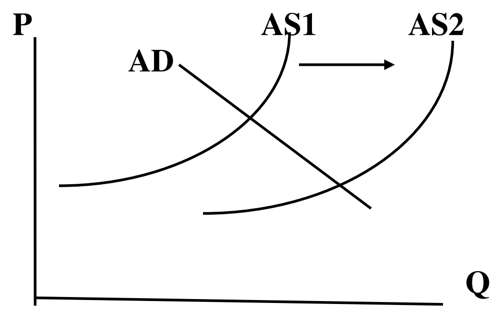
B



C



D



11. Which of the graphs above illustrates an expansion that generates rapid inflation but little new output?

a. A
b. B
c. C
d. D
e. None of the above.

12. Which of the graphs above illustrates an expansion that generates little inflation but lots of new output?

a. A
b. B
c. C
d. D
e. None of the above.

13. Which of the graphs above illustrates an expansion that generates a drop in prices inflation and lots of new output?
   a. A
   b. B
   c. C
   d. D
   e. None of the above.

14. Which of the graphs above illustrates an expansion that generates high inflation and a drop in output?
   a. A
   b. B
   c. C
   d. D
   e. None of the above.

15. Which of the graphs above illustrates stagflation?
   a. A
   b. B
   c. C
   d. D
   e. None of the above.

16. Which of the graphs above illustrates the Keynesian policy recommendation to end a recession?
   a. A
   b. B
   c. C
   d. D
   e. None of the above.

17. Which of the graphs above illustrates the policy recommendation of Supply-Side theory?
   a. A
   b. B
   c. C
   d. D
   e. None of the above.

18. Which of the graphs above illustrates the Classical theory criticism of Keynesian theory?
   a. A
   b. B
   c. C
   d. D
   e. None of the above.

19. Which of the graphs above best illustrates the impact of the oil crises during the 1970s and early 1980s on the U.S. economy?

a. A
b. B
c. C
d. D
e. None of the above.

20. Which of the graphs above best illustrates the recent recovery from the Great Recession?

a. A
b. B
c. C
d. D
e. None of the above.

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