

	Q1	Q2	3L	3T	Q4	5T	5L	Min	Avg	Tot	%
A11326394	3.5	4	3.5	4.5	5.4	3	4.4	3	4.2	25	87%
A11331074	3.5	3.5	3.5	3.5	3.4	4.3	4	3.4	3.7	22	77%
A11352875	3	4.5	4	3	4.1	5	4.4	3	4.2	25	86%
A11359102	3.5	3	4.5	4	3.7	3.3	4.4	3	3.9	23	81%
A11359531	3.5	3.5	5	4	4.1	5	4.4	3.5	4.3	26	89%
A11361767	2.5	4	3.5	4.5	4.4	4	3	2.5	3.9	23	81%
A11365056	2.5	4	3.5	2.5	3.7	4.3	4.4	2.5	3.7	22	77%
A11366954	3.5	3	3.5	4	3.1	3.7	3.4	3	3.5	21	73%
A11382723	2.5	5.5	4	3.5	4.1	4.5	3.9	2.5	4.2	25	88%
A11416198	3.5	3.5	4	4	2.4	3.3	3.7	2.4	3.7	22	76%
A11445214	3.5	4	4.5	3	3.7	3	3.4	3	3.7	22	76%
A11487880	4	5	4.5	4.5	5.4	5.2	4.5	4	4.9	29	100%
A11538619	4.5	4.5	4.5	4.5	3.4	3.7	3.4	3.4	4.2	25	86%
A11544612	3	4	3.5	4.5	3.4	4	3.7	3	3.9	23	80%
A11556897	4.5	4.5	4	4	3.4	4.2	4.9	3.4	4.3	26	90%
A11659675	3	5.5	4	3.5	5.1	4.2	4.2	3	4.4	26	91%
A11702497	3	3	3.5	4.5	4.4	4.3	4	3	4	24	82%
A11714080	4	4.5	3.5	3.5	3.4	3.3	4	3.3	3.8	23	79%
A11725845	3	4	4	3.5	2.1	3.7	4	2.1	3.7	22	77%
A11734906	3	3	3.5	4.5	4.1	3	3.4	3	3.6	21	74%
A11750376	4	4	4	2.5	3.1	3.7	3.4	2.5	3.7	22	76%
A11775089	5	3.5	3.5	4	3.7	3.7	3.4	3.4	3.9	23	81%
	<b>3.5</b>	<b>4.0</b>	<b>3.9</b>	<b>3.8</b>	<b>3.8</b>	<b>3.9</b>	<b>3.9</b>	<b>3.0</b>	<b>4.0</b>	<b>24</b>	<b>82%</b>

Grade weights: Homework 10% Midterm 20% Quizzes 30% Participation 5% Final Exam 35%

**I. Multiple choice:** use the blanks in the question to gather your answer, but please also gather your answers to the left of each question before you turn in the quiz. Acronyms not required: ask in class if you forget one. **Text or practice quiz related questions highlighted in yellow.**

**C or DB** 1. If there is no \_\_\_ a change in government spending has a multiplier effect on AD of at least \_\_\_.  
 A) 1/MPC B) 1/MPS C) crowding out D) crowding in E) reduce F) increase

**D E F** 2. (#1 choices) An investment accelerator effect makes \_\_\_ more likely so that even higher G financed with debt could \_\_\_ a nation's D/Y ratio and \_\_\_ economic growth (as Herndon and Steven Colbert argued).

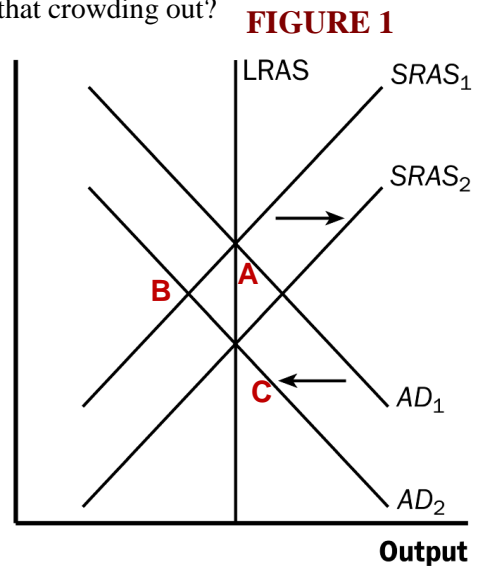
**B / C / F** 3. LATA Which of the following make crowding in more likely that crowding out?

- A) high inflation >3%
- B) low inflation < 3%
- C) high unemployment
- E) high interest rates
- F) low interest rates *[I added F, otherwise there were only two correct (LATA) answers]*

**C E A F** 4. During the first few years of the Great Depression prices fell about \_\_\_ % as unemployment rose to over \_\_\_. During the first few quarters of the Great Recession unemployment rose to about \_\_\_% and prices fell about \_\_\_% but in both cases benchmark interest rates fell to \_\_\_%  
 A) 10% B) 0% C) 20% E) 25% F) 2%

**A AD** 5. As with the baby-sitting crisis in Washington D.C. the 2008 financial crisis lead to a sharp increase in the demand for \_\_\_ which in turn shifted the \_\_\_ curve (which in Fig. 1?) to the left creating a recession.  
 a) liquidity b) money c) cash d) savings.

**C A B D B** 6. Referring to Figure 1 the AD-SRAS does a fairly good job of capturing the 2008 recession when a sharp drop in housing wealth and consumer confidence shifted the \_\_\_C\_\_\_ curve, moving the economy from point \_\_\_A\_\_\_ to point \_\_\_B\_\_\_. Unfortunately additional reductions in the \_\_\_D\_\_\_ have not moved the U.S. (or Greece) back to full employment at point \_\_\_C\_\_\_. A) LRAS B) SRAS C) AD D) overall prices and wages E) inflation F) deflation G) interest rates H) M1 or M2



**LEC A D A/B B/C D** 7. (#6 choices) Starting at A in Figure 1 a surge in immigration shifts the **LRAS** to the right, creating higher unemployment until \_\_\_ fall moving the economy along the AD curve, back to full employment where \_\_\_ and \_\_\_ are the same again. If Mark Zuckerberg & Ohio farmers are right, and we have a shortage of workers with certain skills (and if immigrants buy new homes) the \_\_\_ and \_\_\_ will shift to the right ending the fall in \_\_\_ triggered by immigration.

**H G E** 8. (#6 answers) U.S. monetary policy has evolved dramatically over the past 20 years: initially the Federal Reserve (and most OECD central banks) targeted \_\_\_ then they switched to \_\_\_ and most recently \_\_\_ (along with most OECD central banks, even the ECB).

**C** 10. Barring crowding out or crowding in, if the government increases spending by \$100 billion and raises taxes by \$100 billion, the real GDP changes \_\_\_ a) zero, the \$100B rise in T cancels out the change in G. b) it depends on the MPC and MPS. c) \$100B *Reason for this answer: government spends 100B (change in G) and raises taxes by \$100B, tax payers pay \$100B in taxes, reducing C by \$80B (for example) and T by \$20B if the MPC is .8 and the MPS is .2. Since the governments spends the \$20B (sΔG = .2\*100B = 20B) consumers would have saved AD goes up by sΔG \* 1/s = ΔG (note that the savings rate cancels out, so the balanced budget multiplier 100/100 = 1 does not depend on the MPC or the MPS, it is always one).*

9. FIB Automatic stabilizers including extended **unemployment benefits** and especially **income taxes** played an important role in dampening the recession and in helping regions that got into particular trouble during the last 2008 recession (Nevada & California). EC (this question continues as EC 3 below)

**Part II. EC Short Answer Questions (answer one below if you have time, carefully labeling answers 1a, 1b etc.)**

1. **Don't go in the water:** A recent economist cover shows a hot air balloon sinking into an ocean full of sharks.  
A) what does the sinking balloon refer to (hint: a lack of hot air, Dorothy and Toto). B) Name at least three sharks, C) *Three bubbles and no inflation, according to Larry Summers, this means secular stagnation caused by what? Are we all doomed to be Japans? (What is Japan doing right now, perhaps the U.S. should do this too). The main cause of secular stagnation in Japan is a low \_\_\_\_\_ rate, how can we fix this problem (hint: Children of Men).*
2. **Needed: the courage to party:** Krugman, 2012 argues the 2008 U.S. recession was analogous the loss of confidence experienced by Capital Hill babysitters Club. A) Explain, what did the baby sitting do to end its crisis? B) Why was the U.S. crisis more complicated than the baby sitting crisis, what additional measures does the Krugman recommend for the U.S. (and Greece?). C) Initially this would increase debt levels, at first this is not a problem, but what about the long run. D) What is a potential solution for both problems in the long run? (hint: see #1 and hot air). This is where Greece differs from the U.S. (or does it?) Explain. Distinguish between the ECB and Greece. Recent signs of hope in Frankfurt and Germany (hint: two Ms). E) What is a "Minsky moment", what day time was our Minsky moment....?
3. Continuing question 9 above. Should we in the North East have helped the crazy Sun Belt states? Why does this happen automatically in the U.S. but not in Europe? In Europe, crime and punishment (morality) plays a role in mitigating recessions, did it play a role in the U.S. as well? (hint Lehman Brothers) Should it have played a role? Distinguish between morality and legality, and compare Mario Draghi to our financial Trioka during the 2008 crisis (this is a reference to Blinder, 2013).