

Final Exam

Pledge: "I pledge my honor that during this examination I have neither given nor received assistance, and that I have seen no dishonest work."

Signed \_\_\_\_\_

Name \_\_\_\_\_

"I have intentionally not signed the pledge" \_\_\_\_\_  
(check only if appropriate)

On graphs, remember to label all equilibrium values, axes, and curves, where relevant.

On multiple choice, circle the letter of the best answer.

The number of points each question is worth out of a total of 300 points is indicated in ( )s next to each question.

(6) 1. In the vertical region of Keynes' Aggregate Supply Curve

- a. employers can hire additional workers without bidding up nominal wages
- b. employers can hire additional workers but only by bidding up nominal wages
- c. employers can't hire additional workers
- d. employers can hire additional workers but only by lowering nominal wages

(6) 2. Post Keynesians criticize the IS/LM interpretation of Keynes because, in part, in the IS/LM diagram

- a. the interest rate plays too important a role in equilibrating the money and product markets
- b. the curves imply that the economy is more volatile than Keynes suggests
- c. output is always consistent with zero unemployment
- d. none of the above

(6) 3. Keynes' labor market differs from the Classical labor market in that, for Keynes

- a. the real wage is on the vertical axis
- b. the nominal wage is on the vertical axis
- c. employment is on the horizontal axis
- d. unemployment is on the horizontal axis

(50) 4. Graphically depict the impact of a rise in autonomous exports in a Keynesian model utilizing the following diagrams

a. IS/LM

b. the labor market

c. aggregate supply

d. the Phillips Curve

(6) 5. It is theoretically possible that when there is stagflation,

- a. the Phillips Curve shifts left
- b. the Aggregate Demand Curve shifts down
- c. the Aggregate Supply Curve shifts left
- d. none of the above

(6) 6. Which of the following believe that the private economy is inherently unstable?

- a. Monetarists
- b. Post Keynesians
- c. Rational Expectations Theory
- d. none of the above

(6) 7. Which of the following assume agents can have rational expectations?

- a. New Keynesians
- b. Monetarists
- c. Post Keynesians
- d. none of the above

(6) 8. Which of the following believe that unsystematic (inconsistent) changes in the money supply will cause real output to vary in the short run?

- a. Monetarists
- b. Rational Expectations Theory
- c. Both "a" and "b"
- d. neither "a" nor "b"

(6) 9. Which of the following support the idea of a "Natural Rate of Unemployment"?

- a. Keynes
- b. Post Keynesians
- c. Rational Expectations Theory
- d. none of the above

(6) 10. "Endogenous Money" is associated with

- a. a vertical money supply curve
- b. New Keynesianism
- c. Monetarism
- d. none of the above

(6) 11. Which of the following is a Keynesian influence on Monetarist theory?

- a. the aggregate production function
- b. labor contracts are made in terms of real wages
- c. the quantity theory of money
- d. none of the above

(50) 12. Assume that the money supply had not been growing recently but this period it is reduced. Graphically depict the short run impact on the following diagrams according to Monetarism.

a. the labor market

b. the AD/AS diagram

c. the aggregate production function

d. the Phillips Curve

(50) 13. Again, assume that the money supply had not been growing recently but this period it is reduced. Graphically depict the long run impact on the following diagrams according to Rational Expectations Theory.

a. the labor market

b. the AD/AS diagram

c. the aggregate production function

d. the Phillips Curve

(6) 14 Wage rigidities which create involuntary unemployment based on profit maximization (not on minimum wages or unions) is most associated with

- a. Keynes
- b. New Keynesians
- c. Real Business Cycle Theory
- d. Rational Expectations

(6) 15. Which of the following is associated with Monetarist theoretical, descriptive, or prescriptive views on monetary policy?

- a. the quantity theory of money
- b. a constant growth rule as optimal monetary policy
- c. recognition, action, and impact lags in discretionary monetary policy
- d. all of the above

(6) 16. Which of the following adhere(s) to more realism in theory, as opposed to an instrumentalist methodology?

- a. Post Keynesians
- b. Monetarists
- c. Rational Expectations theory
- d. Real Business Cycle theory

(6) 17. Which of the following will reduce employment and output according to Real Business Cycle theory?

- a. new government environmental regulations
- b. a technological advance
- c. an increase in the supply of raw materials
- d. none of the above

(6) 18. Which of the following empirical “stylized facts” do not support Real Business Cycle Theory?

- a. consumption is procyclical
- b. the real wage is procyclical
- c. productivity is procyclical
- d. technology shocks are not procyclical

(48) 19. Graphically depict the impact of a reduction in the effective tax rate on investment according to Supply Side Economics on the following diagrams.

a. the loanable funds market

b. the aggregate production function

c. the aggregate demand diagram

d. the Laffer Curve

(6) 20. According to the “shirking model” of Efficiency Wage theory, wage cuts reduce productivity because they

- a. encourage the more productive workers to quit
- b. reduce morale
- c. reduce the ability to attract more productive workers
- d. none of the above

(6) 21. The money supply increases if the Federal Reserve Board

- a. raises the reserve requirement
- b. raises the discount rate
- c. buys government securities
- d. none of the above

DID YOU REMEMBER TO CONSIDER THE PLEDGE?