Multiple Choice

Identify the choice that best completes the statement or answers the question.

____ 1. Which of the following is not included in M1?
   a. a $5 bill in your wallet
   b. $100 in your checking account
   c. $500 in your savings account
   d. All of the above are included in M1.

____ 2. Paper money
   a. has a high intrinsic value.
   b. is the primary medium of exchange in a barter economy.
   c. is valuable because it is generally accepted in trade.
   d. is valuable only because of the legal tender requirement.

____ 3. An item that people can use to transfer purchasing power from the present to the future is called
   a. a medium of exchange.
   b. a unit of account.
   c. a store of value.
   d. None of the above is correct.

____ 4. Which of the following is not included in either M1 or M2?
   a. U.S. Treasury bills
   b. small time deposits
   c. demand deposits
   d. money market mutual funds

____ 5. Which of the following statements is correct?
   a. All items that are included in M1 are included also in M2.
   b. All items that are included in M2 are included also in M1.
   c. Credit cards are included in both M1 and M2.
   d. Savings deposits are included in both M1 and M2.

____ 6. The members of the Federal Reserve’s Board of Governors
   a. are appointed by the president of the U.S. and confirmed by the U.S. Senate.
   b. serve six-year terms.
   c. are also the presidents of the regional Federal Reserve banks.
   d. share power equally, with no governor having any more influence or power than any other governor.

____ 7. At any given time, the voting members of the Federal Open Market Committee include
   a. five of the 12 presidents of the regional Federal Reserve banks.
   b. the president of the Federal Reserve Bank of New York.
   c. the seven members of the Board of Governors.
   d. All of the above are correct.
8. The Federal Reserve
   a. is a central bank; it is responsible for conducting the nation’s monetary policy; and it
      plays a role in regulating banks.
   b. is a central bank; it is responsible for conducting the nation’s monetary policy; but it plays
      no role in regulating banks.
   c. is not a central bank; it is responsible for conducting the nation’s monetary policy; and it
      plays a role in regulating banks.
   d. is a central bank; it plays a role in regulating banks; but it is not responsible for
      conducting the nation’s monetary policy.

9. Currency includes
   a. paper bills and coins.
   b. demand deposits.
   c. credit cards.
   d. Both (a) and (b) are correct.

10. Which of the following is a function of money?
    a. a unit of account
    b. a store of value
    c. medium of exchange
    d. All of the above are correct.
MULTIPLE CHOICE

1. ANS: C PTS: 1 DIF: 2 REF: 29-1
   NAT: Analytic LOC: The study of economics and definitions in economics
   TOP: Money supply MSC: Interpretive

2. ANS: C PTS: 1 DIF: 1 REF: 29-1
   NAT: Analytic LOC: The role of money TOP: Money
   MSC: Definitional

3. ANS: C PTS: 1 DIF: 1 REF: 29-1
   NAT: Analytic LOC: The role of money TOP: Store of value
   MSC: Definitional

4. ANS: A PTS: 1 DIF: 2 REF: 29-1
   NAT: Analytic LOC: The role of money TOP: Money supply | Money supply
   MSC: Definitional

5. ANS: A PTS: 1 DIF: 2 REF: 29-1
   NAT: Analytic LOC: The role of money TOP: Money supply
   MSC: Definitional

6. ANS: A PTS: 1 DIF: 2 REF: 29-2
   NAT: Analytic LOC: Monetary and fiscal policy TOP: Federal Reserve System
   MSC: Interpretive

7. ANS: D PTS: 1 DIF: 2 REF: 29-2
   NAT: Analytic LOC: Monetary and fiscal policy TOP: Federal Open Market Committee
   MSC: Definitional

8. ANS: A PTS: 1 DIF: 1 REF: 29-2
   NAT: Analytic LOC: Monetary and fiscal policy TOP: Federal Reserve System
   MSC: Definitional

9. ANS: A PTS: 1 DIF: 2 REF: 29-1
   NAT: Analytic LOC: The study of economics and definitions in economics
   TOP: Currency MSC: Interpretive

10. ANS: D PTS: 1 DIF: 1 REF: 29-1
    NAT: Analytic LOC: The role of money TOP: Money
    MSC: Definitional