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Spring 2004, Intermediate Macroeconomics, section 1

ECON 219 Quiz VI

General recommendations:

- Read questions thoroughly.
- Please respond on this copy.
- You have 20 minutes.
- Work individually.
- There are two pages.
- Good luck!

Your name:

1. Circle the appropriate answer on each of the following items. Circle multiple items if necessary:

   (a) To determine the real interest rate in the data, one should:
   1) take the interest rate on Treasury bonds; 2) take the interest rate on Treasury bonds and add the inflation rate; 3) substract the inflation rate from the Treasury bond rate; 4) divide the Treasury bond rate by the inflation rate.

   (b) The money is neutral in the model economy we discussed because:
   1) the money supply is exogenous; 2) the model is intertemporal; 3) prices are fully flexible; 4) it is a barter economy.

   (c) The gold standard is an example of:
   1) commodity money; 2) commodity-backed paper currency; 3) barter currency; 4) fiat money.

   (d) The money supply can be increased by:
   1) increasing taxes; 2) buying more goods for the government; 3) issuing of Treasury bonds; 4) decree.

2. Describe the principle of the differences between M0, M1, M2 and M3.

3. Explain why liquidity demand decreases when the real interest rate increases.

4. Explain the problem of double coincidence of wants.

5. Explain what the real return of money is.

Bonus question: Why would an increase in the stock market increase money demand?