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Fall 2004, Intermediate Macroeconomics, section 4

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) The following types of money are currently and commonly used in the U.S.:
    1) commodity money; 2) fiat money; 3) transaction deposits at banks; 4) credit cards.

    (b) To be used as money, a good should have the following characteristics:
    1) be very rare; 2) be considered valuable; 3) in metal or paper form; 4) be the sole legal tender.

    (c) M1 is M0 plus:
    1) bank notes; 2) savings accounts; 3) checking accouts; 4) certiticates of deposit.

    (d) The Federal Reserve System:
    1) issues bank notes; 2) issues coins; 3) collects taxes; 4) issues commemorative plates.

2. What do we mean when we say one role of money is that it is a unit of account?

3. Explain the Friedman Rule.

4. Explain the concept of non super-neutrality of money.

5. Explain why it is useful to think of the household as composed of two individuals when introducing a cash-in-advance contraint in the model.

Bonus question: Explain what makes it possible for Canadian Tire money to be considered as money.