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**Fall 2010, Intermediate Macroeconomics, section 4**

## **ECON 2202 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 (or none):
  - (a) CIA means
    - a) consumption in arrears; b) cash in advance; c) consumption-investment antithesis; d) current investment aggregation.
  - (b) An increase in inflation
    - a) increases money demand; b) decreases money demand; c) increases money supply; d) decreases money supply.
  - (c) The role of money is to
    - a) make people happy; b) facilitate transactions; c) store value; d) increase total factor productivity.
  - (d) The Classical Dichotomy is,
    - a) firms are independent from households; b) the money market has not real impact; c) supply creates its demand; d) markets are always in equilibrium.
2. What is money neutrality? What is money superneutrality?

3. What is the consequence of an increase in the money supply?

4. What impact does the stock market have on money demand?

5. Explain what the different aggregates of money are and what principal characteristic distinguishes them.

**Bonus question:** Explain why central banks deviate from the Friedman Rule.