In-class quiz 2

1. Which of the following statements uses the economists' definition of money?
   A) I plan to earn a lot of money over the summer.
   B) Betsy is rich, she has a lot of money.
   C) I hope that I have enough money to buy my lunch today.
   D) The job with New Company gave me the opportunity to earn more money.

2. Which of the following statements best explains how the use of money in an economy increases economic efficiency?
   A) Money increases economic efficiency because it is costless to produce.
   B) Money increases economic efficiency because it discourages specialization.
   C) Money increases economic efficiency because it decreases transactions costs.
   D) Money cannot have an effect on economic efficiency.

3. Kevin purchasing concert tickets with his debit card is an example of the ____ function of money.
   A) medium of exchange
   B) unit of account
   C) store of value
   D) specialization

4. If there are five goods in a barter economy, one needs to know ten prices in order to exchange one good for another. If, however, there are ten goods in a barter economy, then one needs to know ______ prices in order to exchange one good for another.
   A) 20
   B) 25
   C) 30
   D) 45

5. Explain how cigarettes could be called "money" in prisoner-of-war camps of World War II.
6. The components of the U.S. M1 money supply are demand and checkable deposits plus
   A) currency.
   B) currency plus savings deposits.
   C) currency plus travelers checks.
   D) currency plus travelers checks plus money market deposits.

7. If an individual moves money from a money market deposit account to currency,
   A) M1 increases and M2 stays the same.
   B) M1 stays the same and M2 increases.
   C) M1 stays the same and M2 stays the same.
   D) M1 increases and M2 decreases.

8. Generally, the data initially reported by the Fed are
   A) not a reliable guide to the short-run behavior of the money supply.
   B) not a reliable guide to the long-run behavior of the money supply.
   C) a reliable guide to the short-run behavior of the money supply.
   D) usually underestimate the revised statistics.

9. The increase in holiday spending is not the same every year causing the Fed's adjustment for ________ to be revised as more data becomes available.
   A) seasonal variation
   B) reporting discrepancy
   C) market churning
   D) transactions discrepancy