
1030 ■ — Which of the following years is often described as the worst year of the Great Depression?

- 1913 *Incorrect*
- 1933 (*True Answer*) *Correct*
- 1953 *Incorrect*
- 1973 *Incorrect*

1031 ■ — Prior to the 1930s, the _____ model of economics dominated economic thinking about how the economy worked.

- Keynesian *Incorrect*
- classical (*True Answer*) *Correct*
- monetarist *Incorrect*
- real business cycle *Incorrect*

1032 ■ — Adam is an economist who believes that in the long run, all prices are flexible and that any increase in the money supply will lead only to inflation, not to an increase in aggregate output. Because the economy would self-correct to long-run equilibrium output, there is no role for either fiscal or monetary policy. Adam is best described as a:

- supply-side economist. *Incorrect*
- Keynesian economist. *Incorrect*
- classical economist. (*True Answer*) *Correct*
- monetarist. *Incorrect*

1033 ■ — According to the classical model:

- the aggregate supply curve is horizontal. *Incorrect*
- increases in the money supply lead to proportional increases in the price level but not to change in real output. (*True Answer*) *Correct*
- increases in the money supply lead to proportional changes in output, but no change in the price level. *Incorrect*
- we are all dead in the long run. *Incorrect*

1034 ■ — In the classical model of the price level, prices are _____, the short-run aggregate supply curve is vertical, and as a result, a decrease in the money supply leads to _____ in the aggregate price level.

- sticky; a more than proportional decrease *Incorrect*

- flexible; a proportional decrease (*True Answer*) *Correct*
 - sticky; a more than proportional increase *Incorrect*
 - flexible; a proportional increase *Incorrect*
-

1035 Because classical economists stressed the long run, they:

- perceived the economy as being mostly self-adjusting. (*True Answer*) *Correct*
 - favored the use of fiscal policy over monetary policy. *Incorrect*
 - expected the government to purge the rottenness from the system. *Incorrect*
 - favored the use of monetary policy over fiscal policy. *Incorrect*
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1036 Classical economists focused mainly on:

- unemployment. *Incorrect*
 - the short run. *Incorrect*
 - the long run. (*True Answer*) *Correct*
 - government economic policy. *Incorrect*
-

1037 Classical economists point out that:

- there is a tradeoff between unemployment and inflation. *Incorrect*
 - an increase in the money supply leads to a proportional rise in the price level. (*True Answer*) *Correct*
 - government spending can affect aggregate demand. *Incorrect*
 - there is the possibility of a liquidity trap. *Incorrect*
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1038 According to the classical model of the price level, the short-run aggregate supply curve is:

- flat. *Incorrect*
 - negatively sloped. *Incorrect*
 - vertical. (*True Answer*) *Correct*
 - unstable. *Incorrect*
-

1039 Classical macroeconomics was based largely on the foundation of:

- flexible wages and prices. *(True Answer)Correct*
 - persistent unemployment. *Incorrect*
 - government intervention in the market. *Incorrect*
 - Adam Smith's model of imperfectly competitive markets. *Incorrect*
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1040 The theory that dominated economic thinking up to the 1930s was:

- monetarism. *Incorrect*
 - classical economics. *(True Answer)Correct*
 - Keynesian economics. *Incorrect*
 - rational expectations theory. *Incorrect*
-

1041 The school of economics that dominated economic thinking prior to the Great Depression was the:

- business cycle theorists. *Incorrect*
 - classical school. *(True Answer)Correct*
 - post-Keynesian school. *Incorrect*
 - Marxists. *Incorrect*
-

1042 Which of the following is a characteristic of the classical school of economics?

- It emphasizes the short run. *Incorrect*
 - It emphasizes the flexibility of wages and prices. *(True Answer)Correct*
 - Potential output is a problem, since it cannot be achieved without active policy. *Incorrect*
 - It advocates the use of discretionary fiscal policy. *Incorrect*
-

1043 If wages and prices are perfectly flexible, a decrease in aggregate demand will cause a(n):

- increase in the price level and unemployment. *Incorrect*
 - decrease in the price level and employment. *Incorrect*
 - increase in the price level and no change in employment. *Incorrect*
 - decrease in the price level and no change in employment. *(True Answer)Correct*
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