

Quiz 8

1. The aggregate demand curve shifts to the right when:

- A) *IS* curve shifts to the right but *LM* curve does not change.
- B) *LM* curve shifts to the left but *IS* curve does not change.
- C) *IS* curve shifts to the right but *LM* curve shifts to the left.
- D) Shifting *IS* and/or *LM* curves does not shift the aggregate demand curve.

Answer: A

2. One of the major differences between the current financial crisis and the Great Depression is:

- A) Stock prices did not fall during the Great Depression.
- B) Housing prices did not fall during the Great Depression.
- C) More banks failed during this crisis than the Great Depression.
- D) The FDIC prevented many banks from failures during this crisis compared with the Great Depression.

Answer: D

3. When studying the cause of the Great Depression, the reason that *LM* curves did not shift left is because:

- A) Fed did not lower the nominal money supply.
- B) Stock market crash causes both consumption and investment to be lower.
- C) Bank failures lower the supply of money for investment.
- D) The interest rate did not go up.

Answer D