1. The money supply is  
   a. the total value of financial assets that can be used to purchase goods and services.  
   b. the total value of the nation's store of gold.  
   c. the total value of stock market holdings.  
   d. the annual sum of gains from trade.  

2. Which of the following statements is FALSE?  
   a. Money plays a crucial role in generating gains from trade, because it makes indirect exchange possible.  
   b. In a barter economy, trade can only take place when there is a double coincidence of wants.  
   c. U.S. dollars are used as money only within U.S. borders.  
   d. An asset is liquid if it can easily be converted into cash.  

3. Which of the following is NOT a role played by money?  
   a. a medium of exchange  
   b. a store of value  
   c. a unit of account  
   d. a means to increase purchasing power  

4. Which of the following is NOT commodity money?  
   a. cigarettes  
   b. a gold coin  
   c. a silver coin  
   d. a $5 bill in U.S. currency  

5. The value of fiat money arises from  
   a. its usefulness as a commodity.  
   b. its ability to be redeemed in precious metals.  
   c. its historical reputation as a currency that maintains its value in international markets.  
   d. its official status as a means of exchange.  

6. Which of the following transactions would leave M2 unchanged but increase M1?  
   a. transferring funds from your checking account to your savings account  
   b. transferring funds from your savings account to your checking account  
   c. writing a check to a locksmith, who then deposits it in her checking account  
   d. writing a check to a locksmith, who then deposits it in her savings account  

7. M1 includes those assets that are  
   a. directly usable as a medium of exchange.  
   b. good as a store of value, but not useful as a medium of exchange.  
   c. not liquid enough to be included in M2.  
   d. near-monies.
8. Federal deposit insurance serves to  
a. protect the dollar from inflation.  
b. prevent bank runs.  
c. preserve the value of the dollar in terms of gold.  
d. eliminate the need for banks to satisfy capital requirements.

9. The size of the U.S. money supply  
a. is determined by the Internal Revenue Service.  
b. is determined by the amount of gold held within U.S. borders.  
c. is determined by the willingness of other countries to supply the United States with gold.  
d. is determined jointly by the federal government and the banking system.

10. When you deposit $100 cash in your checking account,  
a. M1 increases and M2 decreases.  
b. M1 increases and M2 remains unchanged.  
c. both M1 and M2 remain unchanged.  
d. M2 increases and M1 remains unchanged.

11. Which of the following transactions would decrease M1 and leave M2 unchanged?  
a. depositing $100 cash in your checking account  
b. depositing $100 cash in your savings account  
c. writing a $75 check to a plumber who deposits it in his checking account.  
d. withdrawing $500 in cash from your savings account

12. The money supply expands when  
a. you cash a paycheck.  
b. you deposit your paycheck into your checking account.  
c. you deposit your paycheck into your savings account.  
d. banks make loans against the excess reserves they hold.

13. The monetary base is  
a. the sum of currency in circulation and bank reserves.  
b. equal to M1.  
c. equal to M2.  
d. the amount of currency held in bank vaults.

14. Which of the following items is a component of the monetary base but is not part of the money supply?  
a. deposits held in checking accounts  
b. currency in circulation  
c. bank reserves  
d. near-monies
15. Which of the following is part of both the monetary base and the money supply?

a. near-monies  
b. currency in circulation  
c. savings deposits  
d. checkable bank deposits

16. The money multiplier is the ratio of
a. the money supply to the monetary base. 
b. bank deposits to currency in circulation.  
c. bank reserves to bank deposits.  
d. M2 to M1.

17. How many regional Federal Reserve Banks are there?
   a. 5  
   b. 6  
   c. 10  
   d. 12

18. Open market operations are carried out by the Federal Reserve Bank of New York as a means of
   a. conducting monetary policy.  
   b. helping banks become profitable.  
   c. helping consumers acquire loans more easily.  
   d. reducing the amount of U.S. currency held overseas.

19. When the Federal Reserve purchases Treasury bills on the open market,
   a. the monetary base decreases, forcing the money supply to contract.  
   b. the monetary base decreases, allowing the money supply to expand.  
   c. the monetary base increases, forcing the money supply to contract.  
   d. the monetary base increases, allowing the money supply to expand.

20. What type of action might the Federal Open Market Committee take in order to meet the goal of contracting the money supply?
   a. lowering the reserve requirement for banks 
   b. lowering the discount rate 
   c. selling Treasury bills on the open market 
   d. making it easier for banks to acquire deposit insurance