

**MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.**

- 1) Which of the following are true statements?
  - A) Money lowers the costs spent trying to exchange goods and services.
  - B) Because money lowers transaction costs, it promotes economic efficiency.
  - C) Income is a stock variable.
  - D) All of the above are true.
  - E) Only A and B of the above are true.
  
- 2) For a commodity to function effectively as money it must be
  - A) widely accepted.
  - B) easily standardized, making it easy to ascertain its value.
  - C) divisible into relatively small units.
  - D) all of the above.
  - E) only A and B of the above.
  
- 3) Although it can have a number of characteristics and serves more than one role, money must
  - A) be backed in gold.
  - B) have a nonmonetary value.
  - C) be inexpensive to produce.
  - D) be generally acceptable.
  
- 4) The time and resources spent trying to exchange goods and services are called
  - A) transaction costs.
  - B) barter costs.
  - C) contracting costs.
  - D) bargaining costs.
  
- 5) During hyperinflations,
  - A) middle-class savers benefit as prices rise.
  - B) money no longer functions as a good store of value and people may resort to barter transactions on a much larger scale.
  - C) the value of money rises rapidly.
  - D) all of the above occur.
  
- 6) Which of the following is not included in the measure of M1?
  - A) Traveler's checks
  - B) Currency
  - C) Demand deposits
  - D) Gold coins issued by the U.S. Treasury
  
- 7) Of the following, the largest is
  - A) M1.
  - B) M3.
  - C) M2.
  - D) currency.

## Answer Key

Testname: CHAPTER 3 PQ.TST

- 1) E
- 2) D
- 3) D
- 4) A
- 5) B
- 6) D
- 7) B