

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

- 1) Bank panics in the nineteenth and early twentieth centuries convinced many that
 - A) the Federal Reserve needed greater authority to deal with problem banks.
 - B) the Federal Reserve needed greater control over the banking system.
 - C) a central bank was needed to prevent future financial panics.
 - D) both A and B of the above.

- 2) When the charter of the Second Bank of the United States expired in 1836
 - A) the lack of a lender of last resort did not affect the banking system.
 - B) the incidence of banking panics declined.
 - C) the Treasury assumed the role of a lender of last resort.
 - D) the lack of a lender of last resort led to increased banking panics.
 - E) both A and D of the above.

- 3) Which of the following are entities of the Federal Reserve System?
 - A) Federal Reserve Banks
 - B) The FOMC
 - C) The Board of Advisors
 - D) Only A and B of the above are Federal Reserve entities

- 4) The ability of a central bank to set monetary policy instruments is
 - A) instrument independence.
 - B) political independence.
 - C) policy independence.
 - D) target independence.
 - E) goal independence.

- 5) Goal independence is
 - A) the ability of Congress to set monetary policy instruments.
 - B) the ability of the president to set monetary policy instruments
 - C) the ability of Congress to set monetary policy goals.
 - D) the ability of the central bank to set monetary policy goals.
 - E) the ability of the central bank to set monetary policy instruments.

- 6) The theory of bureaucratic behavior suggests that the Federal Reserve will
 - A) try to gain regulatory power over more banks.
 - B) devise clever strategies in an effort to avoid blame for poor economic performance.
 - C) try to avoid a conflict with the president and Congress over increases in interest rates.
 - D) do each of the above.

Answer Key

Testname: CHAPTER 14 PQ.TST

- 1) C
- 2) D
- 3) D
- 4) A
- 5) D
- 6) D