



Monmouth
COLLEGE

• Name: _____

• Date: _____

ECON 301: Intermediate Macroeconomics

Quiz #3

Spring 2025

INSTRUCTIONS:

- Please read all questions carefully before you begin answering.
- Answer all questions in the spaces provided on the question sheet.
- This quiz consists of 7 pages, including this one. There are a total of 3 problems with a total of 12 subquestions.
- This is a closed-book quiz. Please remove all materials from the top of the desk and take any necessary items from your bags before the exam begins.

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Problem 1. Definitions**(7.5 Points Each)**

Select four items on the list of items below, and provide a definition of the items that you chose.

- Phillips Curve
- Potential Output
- Natural Rate of Unemployment
- Reservation Wage
- Efficiency Wage
- Real Wage

1.A. Item #1: _____

1.B. Item #2: _____

1.C. Item #3: _____

1.D. Item #4: _____

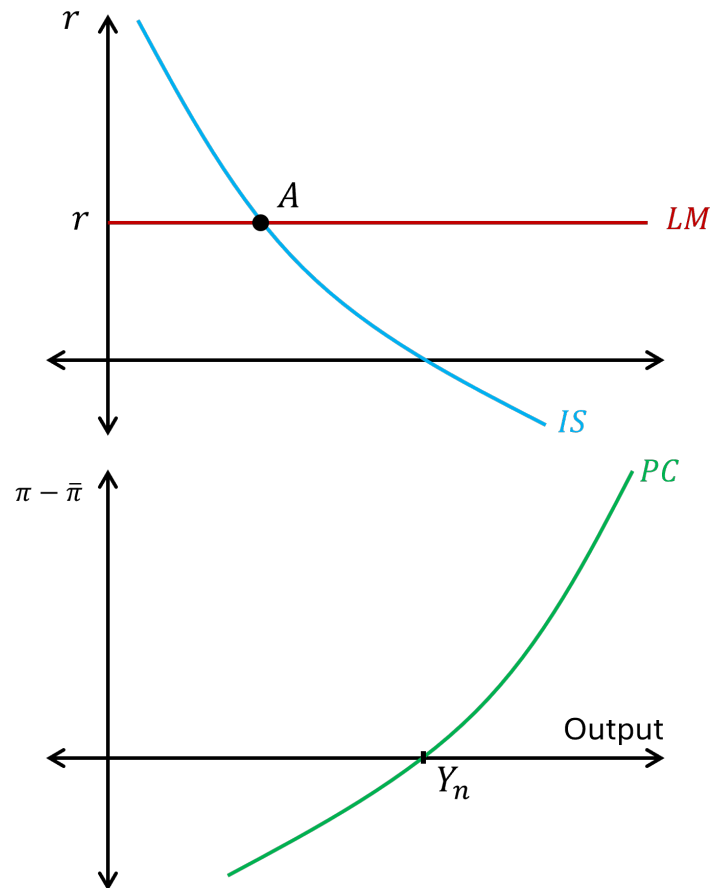
Problem 2. True / False**(7.5 Points Each)**

Determine whether the following statements are either TRUE or FALSE. If you deem that the statement is TRUE, there is no need to justify your answer. If you deem that the statement is FALSE, you MUST justify your verdict by providing an explanation.

- 2.A. When the unemployment level in the economy is lower, wages tend to be high.
- 2.B. The more competitive the output market is, the higher the natural rate of unemployment will be.
- 2.C. When the unemployment rate reaches its natural level, inflation will match the expected rate of inflation.
- 2.D. If the economy faces the zero lower bound, monetary policy can always restore full employment by lowering interest rates.

Problem 3. Short Answers**(10 Points Each)**

Suppose the economy is not in its medium-run equilibrium and is currently operating at point A . Specifically, realized production is lower than the potential output of the economy.



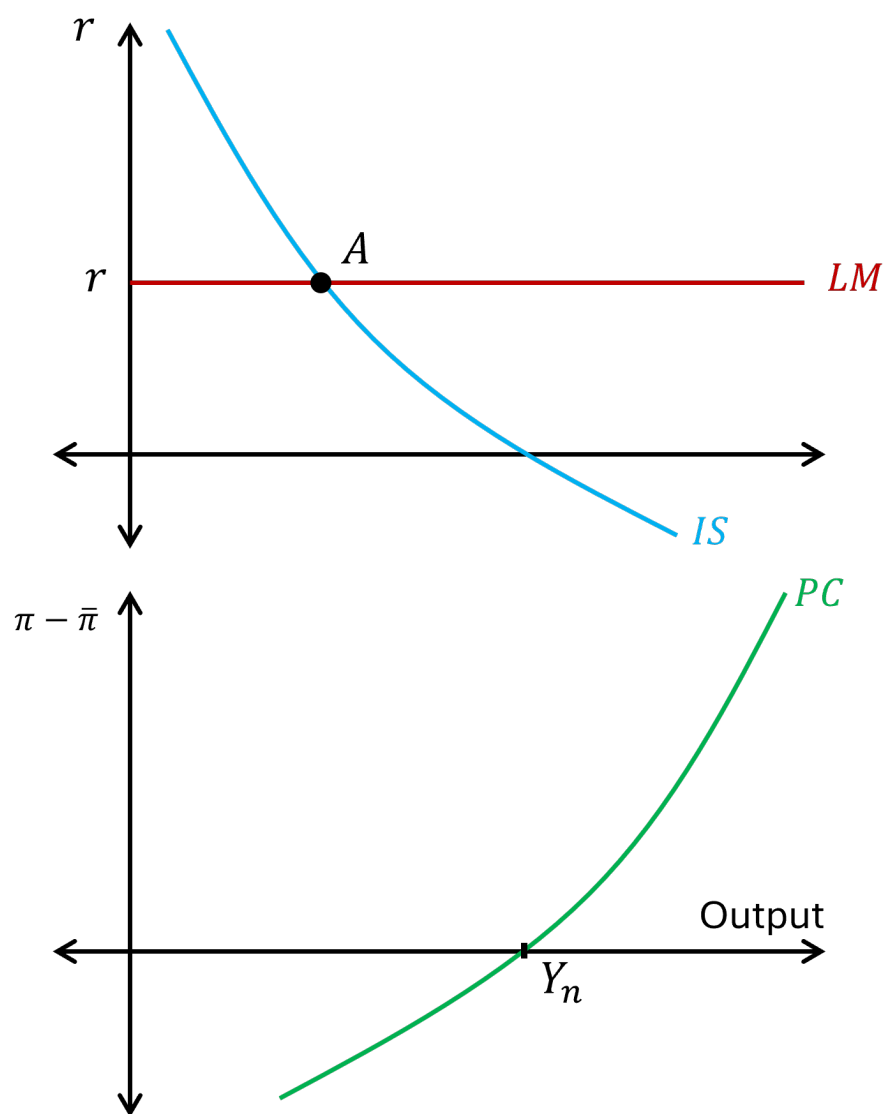
3.A. What types of monetary policy can the Federal Reserve implement to alleviate this imbalance?

3.B. What types of fiscal policy can the government implement to alleviate this imbalance?

Problem 3. Short Answers (continued)

(10 Points Each)

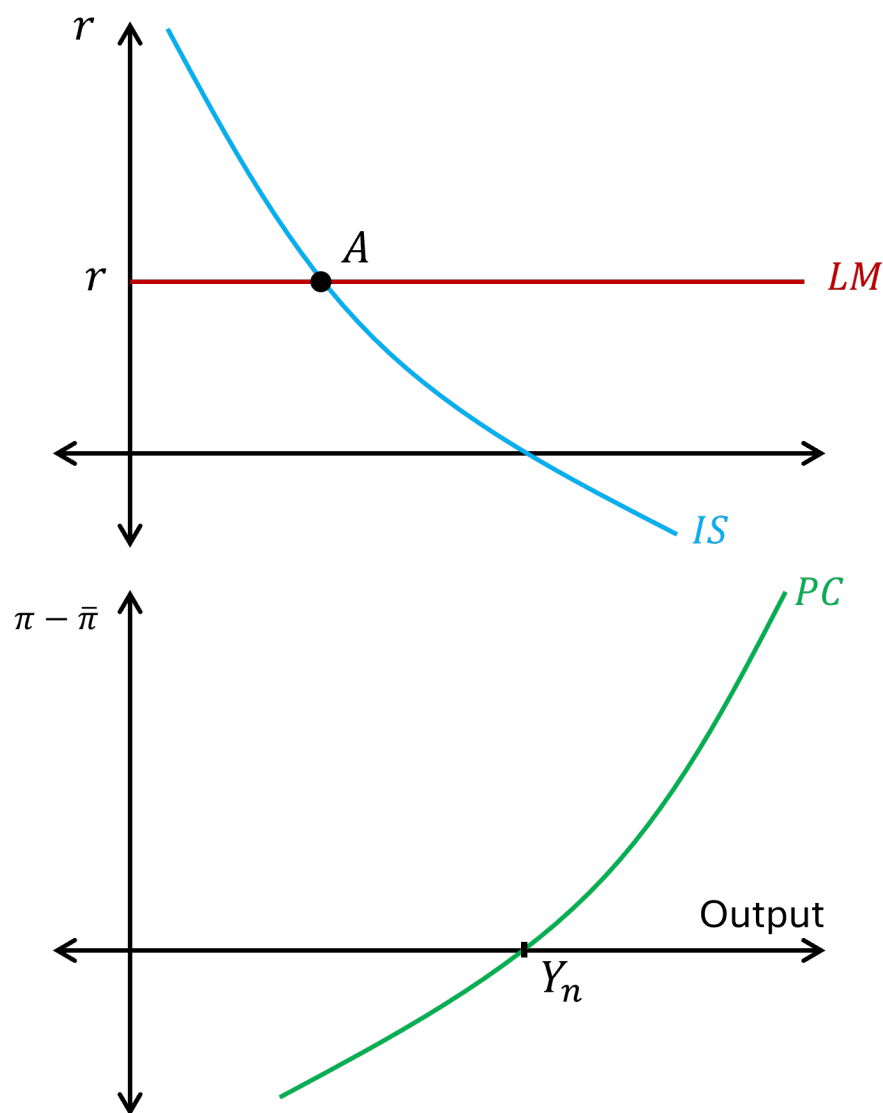
- 3.C. Suppose you are the Chair of the Federal Reserve Board. You conduct monetary policy to address the negative output gap. Illustrate the effects of your policy on the economy using the graph below:



Problem 3. Short Answers (continued)

(10 Points Each)

3.D. Suppose you are the President. You conduct fiscal policy to address the negative output gap. Illustrate the effects of your policy on the economy using the graph below:



• Original Score: _____

• Recovered Score: _____

• Original Date: _____

• Recovered Date: _____