

## Quiz: Responses to COVID-19

Name: \_\_\_\_\_ Date: \_\_\_\_\_

1. Why is expansionary fiscal policy used in response to crises such as COVID-19?
  - a. Decreases aggregate demand
  - b. Increases real GDP
  - c. Decreases employment
  - d. Increases inflation
2. Which of the following is NOT an example of a fiscal policy response to the COVID-19 crisis?
  - a. \$1200 stimulus checks
  - b. Increased unemployment benefits
  - c. Fed lowering target interest rates
  - d. Government loans to small businesses
3. If an individual's MPC is .67, they would spend
  - a. \$67 if given \$100
  - b. \$33 if given \$100
  - c. \$0.67 if given \$100
  - d. \$167 if given \$100
4. As household income increases, what happens to the household's marginal propensity to consume (MPC)?
  - a. Increases
  - b. Decreases
  - c. Remains the same as it is a constant value
  - d. Increases at first, then decreases at very high income levels

5. As the marginal propensity to consume (MPC) increases, what happens to the spending multiplier?
  - a. Increases
  - b. Decreases
  - c. Stays the same
  - d. Becomes a spending divider
  
6. \*If the MPC = .4 (\*Include only if calculating multipliers from MPC was discussed.)
  - a. The government spending multiplier = 1.67
  - b. The tax multiplier = 1.67
  - c. The government spending multiplier = 2.5
  - d. The tax multiplier = 2.5
  
7. When evaluating the effectiveness of a fiscal policy, what factors should be considered? Explain.
  
  
  
  
  
  
  
  
  
  
8. Why do so many economists advocate for a second stimulus check during the COVID-19 recession? Explain the argument for why the checks should be given only to individuals earning less than \$40,000 per year.