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**Fall 2004, Intermediate Macroeconomics, section 3**

## **ECON 219 Quiz I**

**General recommendations:**

- Read questions thoroughly.
- Please respond on this copy.
- You have 20 minutes.
- Work individually.
- There are two pages.
- Good luck!

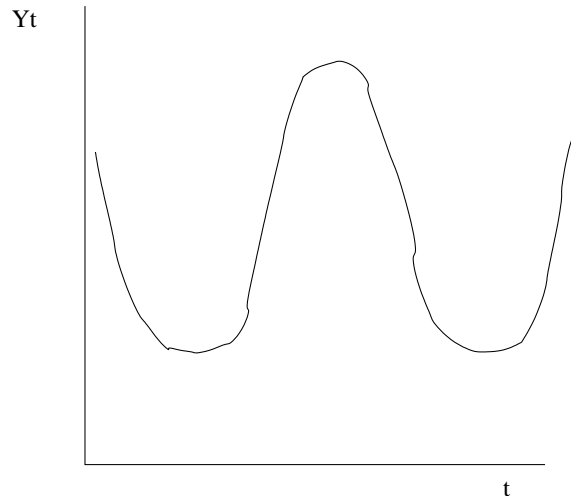
**Your name:**

1. Circle the appropriate answer on each of the following items. Circle multiple items if necessary:
  - (a) The following approaches allow to compute GDP: 1) the sum of all values added; 2) the sum of all productions; 3) the sum of all consumptions; 4) the sum of all incomes.
  - (b) To study business cycles, we need to remove trends from the data because: 1) the scaling on the graphs would be off; 2) we need to concentrate on movements around the trend; 3) it is then easier to take logarithms; 4) trends are not important.
  - (c) Consumption represents what share of GDP? 1) 90%; 2) 70%; 3) 50%; 4) 30%.
  - (d) The unemployment rate is computed as: 1)  $\frac{\text{Unemployed}}{\text{Employed}}$ ; 2)  $\frac{\text{Unemployed}}{\text{Labor Force}}$ ; 3)  $\frac{\text{Unemployed}}{\text{Working age population}}$ ; 4)  $\frac{\text{Unemployed}}{\text{Population}}$ .
2. Suppose we have the following information about a bakery: wages \$150M, dough \$50M, power \$20M, interest on business loans \$5M, profits \$10M, taxes \$25M. What is its contribution to GDP using the product approach?
3. Define what fixed investment is.

4. Compute real output growth using base year 2 in the following example. Provide the details of your calculations to get partial credit if wrong:

	guns	butter
Year 1 price	\$3	\$5
Year 1 quantity	10	12
Year 2 price	\$5	\$8
Year 2 quantity	8	15

5. Using the graph below, which represents GDP, draw a series that is as volatile and countercyclical.



Bonus question: Halliburton hires security personnel to protect some of its facilities in Iraq. Does this count in Iraq's GDP? If so, why and how? If not, why not?