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Fall 2004, Intermediate Macroeconomics, section 4

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!

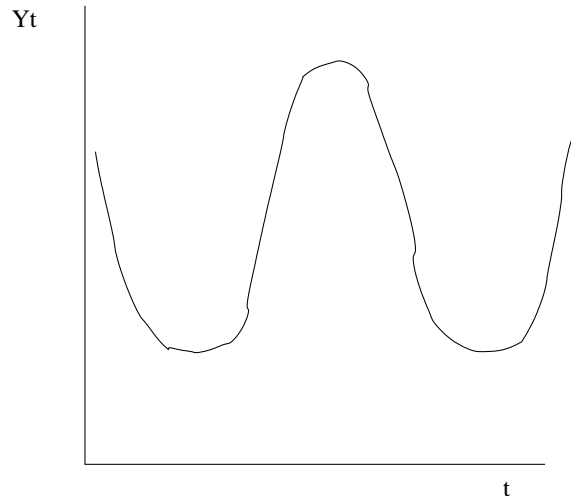
Your name:

1. Circle the appropriate answer on each of the following items. Circle multiple items if necessary:
 - (a) The following count towards GDP with the income approach: 1) personal income tax; 2) wages; 3) business taxes; 4) business sales.
 - (b) To study business cycles, we need to use real data because: 1) we want to get rid of the illusion of price effects; 2) we need to concentrate on movements around the trend; 3) it is then easier to take logarithms; 4) we are interested in actual economic activity.
 - (c) Consumption is 1) procyclical; 2) countercyclical; 3) more volatile than GDP; 4) less volatile than GDP.
 - (d) In Pakistan, 3M people work, 0.5M are unemployed and get UI benefits, 0.1M are unemployed without UI benefits, and 3M have not intention to work. The unemployment rate is (to the nearest %): 1) 7% 2) 8% 3) 14%; 4) 17%.
2. Suppose we have the following information about an ice cream maker: revenues \$200M, wages \$100M, milk \$50M, strawberries \$5M, interest on business loans \$5M, taxes \$25M. What is its contribution to GDP using the income approach?
3. Compute real output growth using base year 1 in the following example. Provide the details of your calculations to get partial credit if wrong:

	cars	trucks
Year 1 price	\$4	\$8
Year 1 quantity	16	4
Year 2 price	\$5	\$12
Year 2 quantity	20	5

4. Define what non-residential investment is, with examples.

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



Bonus question: Explain why the autocorrelation of degree 2, $\text{corr}(X_t, X_{t-2})$ has to be lower than the autocorrelation of degree 1, $\text{corr}(X_t, X_{t-1})$.