

University of Connecticut
College of Arts and Sciences
Department of Economics
Christian Zimmermann

Spring 2006, 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!

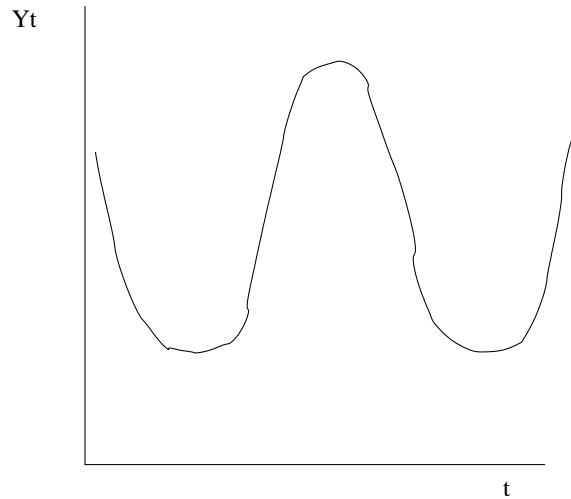
Your name:

1. Circle the appropriate answer on each of the following items. Circle multiple items if necessary:
 - (a) The following items are taken into account when computing GDP with the product approach: 1) sale revenue; 2) wages; 3) interest on business loans; 4) intermediate goods.
 - (b) Which of the following criteria are necessary (but not sufficient) to establish that a person is unemployed: 1) the person is willing to work; 2) the person is getting unemployment insurance benefits; 3) the person is seeking work; 4) the person has previously worked.
 - (c) If a series has a correlation of 0.4 with GDP, we say it is: 1) procyclical; 2) acyclical; 3) countercyclical; 4) anticyclical.
 - (d) How can we characterize the behavior of US private investment through the business cycle in the United States? 1) we cannot tell; 2) it is anticyclical; 3) it is procyclical; 4) it is acyclical.
2. Suppose we have the following information about a household over a year: wages \$25,000, unemployment insurance benefits \$3,000, dividend income \$4,000, income tax \$5,000. What is the contribution of this household to GDP following the expenditure approach? And the income approach?
3. When computing GDP using the product approach, explain how the production of the government is determined and why.

4. Compute the rate of growth of production using the year 1 basket in the following example. Provide the details of your calculations to get partial credit if wrong:

	honey	bread
Year 1 price	\$8	\$12
Year 2 price	\$12	\$16
Year 1 quantity	10	10
Year 2 quantity	12	15

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



Bonus question: If two series are procyclical, are they necessarily positively correlated? Why or why not?