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**Spring 2006, Intermediate Macroeconomics, section 3**

## **ECON 219 Quiz II**

**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 aggregate(s) do(es) not behave in a consistent manner across countries: 1) investment; 2) total hours; 3) government expenses; 4) imports.
  - (b) What did we assume about household preferences?: 1) households prefer more to less; 2) households like money; 3) households dislike taxes; 4) households are risk averse.
  - (c) The household budget constraint may have a kink because: 1) there is uncertainty; 2) leisure is limited by the number of hours; 3) households prefer diversity; 4) households may substitute consumption for leisure, or the reverse.
  - (d) The following are factors in the production process (even if we may not taken them into account in our modelling): 1) weather; 2) business credit; 3) know-how; 4) money.
2. Explain why it would be possible to obtain a downward sloping labor supply curve.
3. Explain the following assumption about the production function: the marginal production of a factor is increasing in the other factor(s).

4. Why can we assume that consumption is a normal good when we know that some consumption goods are not normal?

5. What is the impact on the labor supply of a tax cut? Explain.

Bonus question: Explain in which way the legal framework or regulation can be thought of factors of production.