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Fall 2009, Intermediate Macroeconomics, section 1

ECON 219 Quiz V

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, or none:
 - (a) In response to an increase in future total factor productivity,
a) aggregate output demand increases; b) aggregate output supply increases;
c) aggregate output demand decreases; d) aggregate out supply decreases.
 - (b) The marginal product of future capital is
a) r ; b) $r + d$; c) $r - d$; d) d .
 - (c) In response to an increase in future taxes,
a) investment demand increases; b) investment demand decreases; c) labor
demand increases; d) labor demand decreases.
 - (d) At the endowment point:
a) households maximize their utility; 2) households have no savings; 3)
households are indifferent to interest rate changes; 4) permanent income is
maximized..
2. Explain why the labor supply is affected by an increase in the interest rate.

3. Explain why the labor supply is affected by an increase in total factor productivity.
4. How does aggregate output demand move after an increase in government expenses financed by future taxes? Why?
5. Explain the general equilibrium nature of the model seen lately.

Bonus question: Explain why we keep focusing on the impact of shocks in the first period, and not in the second period.