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**Fall 2002, Intermediate Macroeconomics, section 3**

## **ECON 219 Quiz I**

**General recommendations:**

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

**Your name:**

1. Circle which items are deducted from production to calculate value added: labor costs, investment expenditures, intermediate goods, cost of loans.
2. Suppose the government collects \$3000 in taxes, pays \$2000 in Social Security benefits, pays \$500 in interest on its debt, and pays some civil servants \$1000 to sit at desks. What is the contribution of this government to GDP?
3. Explain why the base year matters in the computation of real GDP growth or price inflation.

4. Explain why it is convenient to use logarithms for business cycle analysis.
  
  
  
  
  
  
  
  
  
  
5. In the US, the standard deviation of GDP is about 1.7%. For its exports, the standard deviation is 5.5% and the correlation of both series is 0.37. What stylized facts emerge from this?
  
  
  
  
  
  
  
  
  
  
6. Suppose that monthly toy production in Alaska is highly correlated with the number of the month (January = 1, February = 2, ...). What does this suggest about the existence of Santa Claus?