

ECON 219 Quiz III

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 the appropriate answer on each of the following items. Circle multiple items if necessary:
 - (a) If $MRS_{l,C} = w$, $MRS_{l',C'} = w'$, $MRS_{C,C'} = 1 + r$, then $MRC_{l,l'} =$
a) $\frac{w}{w'}$, b) $1 + r$, c) $\frac{w(1+r)}{w'}$ d) $\frac{w}{(1+r)w'}$.
 - (b) An increase in future income Y'
a) increases C , b) decreases C , c) increases C' , d) decreases C' .
 - (c) The Ricardian Equivalence holds only if
a) the government is altruistic b) there are no credit constraints c) the government runs deficits d) taxes are distortionary
 - (d) Which combination of price changes leads to an increase in labor supply?
a) $w \nearrow, r \nearrow$, b) $w \searrow, r \nearrow$, c) $w \searrow, r \searrow$, d) $w \nearrow, r \searrow$.
 - (e) A temporary increase in current income has which effect(s)?
a) small increase in current consumption, b) large increase in current consumption, c) small increase in future consumption, d) large increase in future consumption.
2. Explain why we use a two period model.

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