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Spring 2003, 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 included when computing GDP with the income approach: 1) investment; 2) wages; 3) profits; 4) value added.

    (b) Suppose we have the following information about a car manufacturer: car sales $1000M, steal purchases $600M, wages $300M, interest on business loans $50M, profits $50M. What is its contribution to GDP using the product approach? 1) $1000M; 2) $600M; 3) $400M; 4) $350M.

    (c) Assume that in an economy with 200M inhabitants, 90M work, 4M are looking for a job, 3M receive unemployment insurance compensation, and 6M receive unemployment insurance compensation <u>and</u> are looking for a job. What is the unemployment rate? 1) 13%; 2) 10%; 3) $6^1/_2$%; 4) 5%.

    (d) How can we characterize the behavior of labor through the business cycle in the United States? 1) average hours fluctuate more than employment; 2) average hours fluctuate less than employment; 3) total hours are procyclical; 4) total hours are acyclical.

2. From what we have compiled from the data, what are the stylized facts regarding the comovements of the components of GDP (consumption, investment, government expenses, imports, exports)?

3. Compute the rate of inflation using base year 1 in the following example:

	bread	butter
Year 1 price	$3	$2
Year 1 quantity	5	5
Year 2 price	$4	$6
Year 2 quantity	8	4

4. Define what a recession is.

5. What is a leading indicator? Use a graph.

Bonus question: US data suggests that employment lags the cycle. How could this be explained?