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Fall 2006, Intermediate Macroeconomics, section 1

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 the appropriate answer on each of the following items. Circle multiple items if necessary:

    (a) The following items are taken into account when computing GDP with the income approach: 1) business taxes; 2) wages; 3) interest on business loans; 4) household taxes.

    (b) Which of the following people are considered not in the labor force: 1) retiree; 2) unemployed; 3) government worker; 4) full-time student.

    (c) If a series has a correlation of 0.20 with GDP, we say it is: 1) procyclical; 2) acyclical; 3) countercyclical; 4) anticyclical.

    (d) How can we characterize the behavior of government expenses through the business cycle in the United States? 1) we cannot tell; 2) it is anticyclical; 3) it is procyclical; 4) it is acyclical.

2. Suppose we have the following information about a lawnmower repair business over a year: wages $15,000, profits $4,000, tax $3,000, parts $9,000. What is the contribution of this business to GDP following the product approach? And the income approach?

3. For which aproach to determining GDP is interest for business loans useful? And how?

4. Compute the rate of growth of production using the year 1 basket in the following example. Provide the details of your calculations to get partial credit if wrong:

	pants	shirts
Year 1 price	$6	$4
Year 1 quantity	10	15
Year 2 price	$8	$6
Year 2 quantity	12	15

5. Using the graph below, which represents GDP, draw a series that is leading and countercyclical.

Yt

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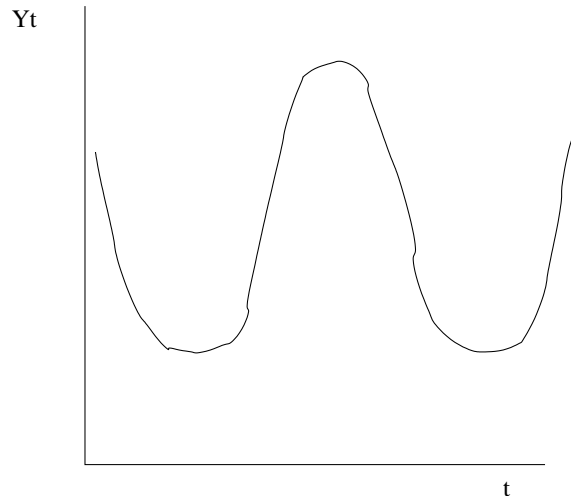
Bonus question: Explain how goods quality issues can confuse the measurement of real quantities.