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**Fall 2007, Intermediate Macroeconomics, section 2**

# 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) sale revenue; 2) wages; 3) consumption; 4) intermediate goods.

   (b) Using logarithms is usefull because: 1) it removes trends; 2) differences are represented in percentages; 3) economic aggregates fluctuate less; 4) it allows to distinguish leads and lags.

   (c) By average productivity, we mean: 1) weekly wages divided by the number of weekly hours; 2) weekly hours; 3) total weekly hours divided by working age population; 4) GDP or GNP divided by total hours worked.

   (d) How can we characterize the behavior of US consumption of non-durables and services through the business cycle in the United States? 1) we cannot tell; 2) it is anticyclical; 3) it is procyclical; 4) it is acyclical.

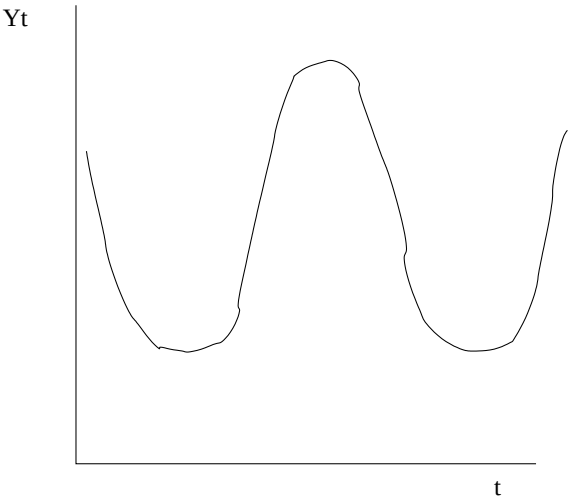
2. Suppose we have the following information about a shoe manufacurer: wages $100,000, sales $500,000, taxes $50,000, loan interest $10,000, leather purchaes $170,000, rubber purchases $130,000. What is the contribution of this manufacturer to GDP following the income approach? Show details for partial credit.

3. Why do we need to remove the trend of the data in order to determine its business cycle properties?

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:

| | pens | pencils |
|---|---|---|
| Year 1 quantity | 15 | 10 |
| Year 1 price | $12 | $12 |
| Year 2 quantity | 17 | 12 |
| Year 2 price | $14 | $15 |

5. Using the graph below, which represents the cyclication components of GDP, draw a series that is leading and procyclical.




Bonus question: Using a particular base year, real GDP grows more that nominal GDP. Using another base year, real GDP grows less than nominal GDP. What does this indicate?