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Fall 2010, Intermediate Macroeconomics, section 4

ECON 2202 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 taken into account when computing GDP with the expenditure approach: 1) Christmas gifts from Walmart; 2) Inheritance from an aunt; 3) Unemployment insurance benefit; 4) Purchase of battle-ship.
 - (b) Macroeconomists like to take logarithms of data series because: 1) it approximates deviations as percentages; 2) it removes the illusion of price changes; 3) it removes trends; 4) it makes graphs look more scientific.
 - (c) Which of the following are countercyclical? 1) GDP; 2) labor productivity; 3) real wages; 4) GDP deflator.
 - (d) How can we characterize the behavior of US consumption of durables through the business cycle in the United States? 1) it is very volatile; 2) it is little volatile; 3) it is procyclical; 4) it is acyclical.
2. Suppose we have the following information about a jeweler: wages 35,000 gold, trinket sales 200,000 gold, taxes 8,000 gold, gem purchases 20,000 gold. What is the contribution of this jeweler to GDP following the income approach? Show details for partial credit.

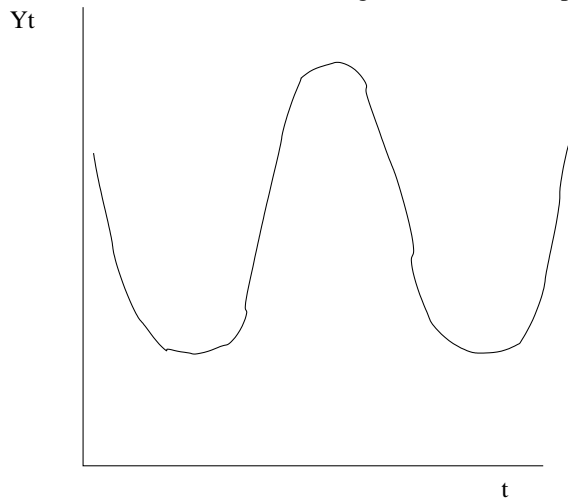
3. What are the business cycle characteristics of bankruptcies and MA enrollments, from the following table?

Variable	SD%	Correlation of GNP with										
		x_{t-5}	x_{t-4}	x_{t-3}	x_{t-2}	x_{t-1}	x_t	x_{t+1}	x_{t+2}	x_{t+3}	x_{t+4}	x_{t+5}
GNP	1.72	.02	.16	.38	.63	.85	1.0	.85	.63	.38	.16	.02
Bankruptcies	5.76	.13	.24	.36	.48	.59	.66	.78	.75	.54	.34	.22
MA enrollments	3.45	.01	.12	.23	.45	.62	.55	.48	.41	.28	.21	.12

4. Compute inflation (to the nearest %) from year 2008 to 2009 for base year 2008 using the following table. Provide the details of your calculations to get partial credit if wrong:

	ramen	pizza
Year 2008 quantity	5	9
Year 2008 price	\$12	\$10
Year 2009 quantity	7	12
Year 2009 price	\$10	\$12

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



Bonus question: What should be done to have cyclical components for the trade balance that are stationary?