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Fall 2004, Intermediate Macroeconomics, section 3

ECON 219 Quiz II

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) In an international comparison, which of the following is true:
    a) consumption is procyclical; b) exports are more volatile than GDP or GNP; c) government expenses are acyclical; d) prices are procyclical.

    (b) We assume about capital that:
    a) it is essential for production; b) that it can substitute labor; c) the firm will always want more of it; d) it includes human capital.

    (c) Indifference curves as we have assumed them have in the (consumption,leisure) space the properties of representing higher levels of satisfaction:
    a) in the north-east; b) in the south-east; c) in the north-west; d) in the south-west.

    (d) Total factor productivity, z, encompasses:
    a) labor input; b) capital; c) output; d) know-how.

2. Imagine that businesses are encouraged to distribute more divends. Within our current theory, what would this mean for consumption? Why?

3. Why does the substitution effect decrease leisure demand when wages increase?

4. Explain why we say that households buy leisure.

5. Explain what we mean by the constant returns to scale of the production function. Give one example of what we assume away with this.

Bonus question: The HP-filter is similar to a moving average. Explain how a moving average can help in finding trends.