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

## **ECON 219 Quiz V**

**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, or none:
  - (a) In response to an increase in current taxes,  
a) labor demand increases; b) labor supply increases; c) labor demand decreases; d) labor supply decreases.
  - (b) The marginal propensity to consume is  
a)  $> 1$ ; b)  $= 1$ ; c)  $< 1$ ; d)  $= 0$ .
  - (c) In response to an increase in current total factor productivity,  
a) investment demand increases; b) investment demand decreases; c) labor demand increases; d) labor demand decreases.
  - (d) The endowment point is the consumption bundle where:  
a) households maximize utility; 2) first-period consumption is zero; 3) second-period consumption is zero; 4) savings are zero.
2. Explain what the Ricardian Equivalence is.

3. Explain the concept of permanent income.

4. Explain what the intertemporal budget constraint of the government is.

5. How does the labor supply depend on the interest rate? Why?

**Bonus question:** What is the impact of an increase of future total factor productivity on the labor supply? Why?