

Name:

QUIZZ 1: Econ 4, Section 2

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Please answer the following 12 questions for 50 points. Be as BRIEF as you can. You have 40 minutes.

1. (3 points) Proprietor's income is part of labor share. True, false, discuss.
2. (9 points) Assume an economy where there are two producers: a steel producer and a car producer. In a given year, 250 tons of steel are produced, of which 200 tons are sold to the car industry maker at \$100 per ton, 25 tons are sold to Canada and 20 are stored. The car maker sells 1000 cars at \$1000 each. Compute GDP in this economy. Compute investment. Compute savings.
3. (3 points) Gasoline Taxes and Social security taxes are part of National Income. True or False? Discuss.
4. (4 points) Martin Lel from Kenia won the males 2003 New York Marathon. How would NIPA record his earnings?

9. (3 points) GDP per capita is larger than National Income per capita. True, False? Discuss.
10. (6 points) Could you describe what is the meaning of *equilibrium approach* and what are the two conditions involved.
11. (3 points) Would macroeconomists think that if output per capita is higher in country A than in country B, then people of country A live better than those of country B? What two additional features would make them make such a statement?
12. (3 points) What can we learn from the relative volatility of Final Sales versus that of GDP about the nature of recessions?