Name:

QUIZZ 1: Econ 4, Section 2

José-Víctor Ríos-Rull Sept. 21, 2004

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

- (3 points) Proprietor's income is part of labor share. True, false, discuss.
 (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 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?

5.	(6 points) Give an example of something that the government produces, of 1) Something that is part of the government's contribution to GDP measured on the production side, 2) of something that is not part of the government's contribution to GDP measured on the production side but it part of its contribution measured on the expenditure side and 3) something that does not belong to the previous two categories yet is a government outlay.
6.	(3 points) What could we say that investment and net exports have in common?
7	(3 points) Should a good theory have the potential of being wrong? Briefly explain.
1.	(5 points) Should a good theory have the potential of being wrong: Briefly explain.
0	(4 4) The instantian of CDD2 If f
8.	(4 points) The imputed rent from owner occupied housing is it part of GDP? If yes of which part in the expenditure side and of which part in the income side?

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?