



• Name: _____

• Date: _____

ECON 301: Intermediate Macroeconomics

Quiz #1

Spring 2025

INSTRUCTIONS:

- Please read all questions carefully before you begin answering.
- Answer all questions in the spaces provided on the question sheet.
- This quiz consists of 7 pages, including this one. There are a total of 4 problems with a total of 13 subquestions.
- This is a closed-book quiz. Please remove all materials from the top of the desk and take any necessary items from your bags before the exam begins.

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Problem 1. Definitions**(5 Points Each)**

Select four items on the list of items below, and provide a definition of the items that you chose.

- Gross Domestic Product
- Structural Unemployment
- Okun's Law
- Marginal Propensity to Consume
- GDP Deflator Index
- Paradox of Thrift

1.A. Item #1: _____

1.B. Item #2: _____

1.C. Item #3: _____

1.D. Item #4: _____

Problem 2. True / False**(5 Points Each)**

Determine whether the following statements are either TRUE or FALSE. If you deem that the statement is TRUE, there is no need to justify your answer. If you deem that the statement is FALSE, you MUST justify your verdict by providing an explanation.

2.A. The GDP of the U.S. includes all goods and services produced by U.S. citizens, regardless of where they live in the world.

2.B. If McDonald's buys potatoes to make French fries, the purchase of those potatoes is included in GDP.

2.C. If the nominal GDP of a country increases while real GDP remains the same, the economy has likely experienced deflation.

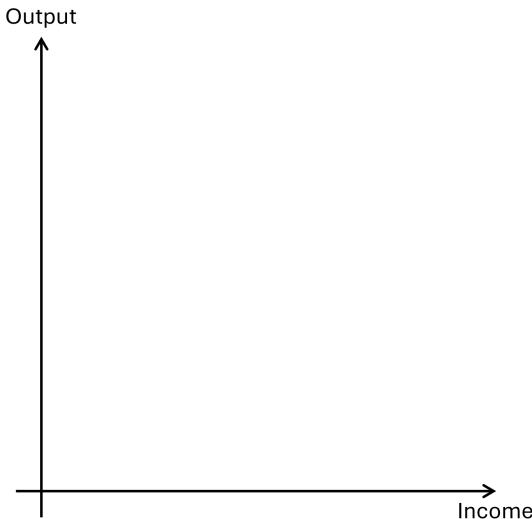
2.D. The Phillips Curve suggests that during periods of low unemployment, inflation tends to be lower.

Problem 3. Short Answers**(15 Points Each)**

3.A. Using the terms given below, show how one would derive the equilibrium output of the economy:

- Aggregate Output: Y
- Investment: $I = \bar{I}$
- Aggregate Demand: $Z = C + I + G$
- Government Spending: G
- Consumption: $C = c_0 + c_1 Y_D$
- Tax: T

3.B. In the following empty chart, plot and label the following elements:



- Collection of points where output is equal to income.
- Aggregate demand for goods.
- The intercept(s).
- The short run equilibrium in the goods market.

Problem 4. Short Answers**(10 Points Each)**

4.A. Discuss why a consumer may care more about inflation based on CPI, as compared to the inflation figures based on the GDP Deflator Index.

4.B. Discuss why in the short run, an increase of government spending by \$1 will increase the economy's equilibrium output by more than \$1.

4.C. Suppose that the following values have been calculated for a closed economy in the short run.

- $c_0 = 450$
- $I = 600$
- $c_1 = 0.5$
- $G = T = 400$

If government expenditure increases to 500, what is the *change in equilibrium output*? In other words, by how much does Y^* change due to this increase in government expenditure?

- Original Score: _____
- Recovered Score: _____
- Original Date: _____
- Recovered Date: _____