



Monmouth
COLLEGE

• Name: _____

• Date: _____

ECON 301 Intermediate Macroeconomics

Quiz #1

Spring 2024

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 14 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.
- The recovery rate for Quiz #1 is 50%.

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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
- Labor Force Participation Rate
- Marginal Propensity to Consume
- Frictional Unemployment
- Consumer Price Index
- Intermediate Goods

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. An individual who willingly decides to be a full-time stay at home dad/mom will be classified as “unemployed” by the BLS.

2.B. If a Canadian citizen is employed by a factory in Texas which is owned by a Japanese auto manufacturer, their production will not be included in U.S. GDP.

2.C. In our simple model, households' disposable income is defined as $Y - T$, which is output less taxes.

2.D. The Phillips curve shows that unemployment and inflation are negatively correlated.

Problem 3. Short Answers**(10 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. Explain in your own words why a \$1,000,000 increase in autonomous spending will lead to the equilibrium output increasing by more than \$1,000,000.

3.C. In our model, any adjustments in the equilibrium level of output occurs instantly. Briefly discuss why this may not be true in the real world.

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

4.A. Suppose that an economy has 500,000 individuals in the labor force, and 450,000 are currently defined as “employed.” What is this country’s unemployment rate?

4.B. Suppose that a country produces only two goods, good x and good y . Using the information in the table below, calculate this country’s...

Year	P_x	P_y	Q_x	Q_y
2020	\$10	\$15	150	200
2021	\$11	\$14.5	180	210
2022	\$11	\$16	180	250
2023	\$12	\$17	200	220

- Nominal GDP for 2023
- Real GDP for 2023 with 2020 as the base year.

4.C. Suppose that the nominal GDP for the year 2023 was calculated to be \$250 million, while the real GDP for 2023 with some base year was \$280 million.

- Calculate the implicit GDP deflator index for this economy.

- Discuss and explain whether the economy experienced inflation or deflation.

- Original Score: _____

- Recovered Score: _____

- Original Date: _____

- Recovered Date: _____