

# Quiz 2

9/10 good.

Econ 201A

Spring 2010

1 worker: 30g wine or 1wb

Please circle only one answer. Total points = 30

1000 workers

1g = \$50

Questions 1-7 pertain to the following scenario:

I = wine barrels =

W = \$1000

G = 10,000g

900w = W

100 = Wb

The economy of Vino produces two goods: wine and wine barrels. Wine barrels are considered investment goods. There are 1000 workers in this economy. Each worker can produce 30 gallons of wine or 1 wine barrel in a year. A gallon of wine is priced at \$50. Each worker is paid \$1000 in wages per year. Currently 900 workers produce wine and 100 remaining workers produce wine barrels. The government in this country buys 10,000 gallons of wine. The rest of the wine produced is purchased by households/workers.

1. (Vino 1) The price of a wine barrel in this economy is:

- a. \$50
- b. \$150
- c. \$500
- d. \$1000
- ☒ e. \$1500

100 · 1500

2. (Vino 2) In the economy of Vino, the value consumption, investment, and government expenditures are:

- a. C = \$1350K, I = \$150K, G = \$100K
- ☒ b. C = \$1350K, I = \$150K, G = \$50K
- c. C = \$850K, I = \$150K, G = \$100K
- d. C = \$850K, I = \$150K, G = \$500K

G = 10,000 · 50 = 500K

3. (Vino 3) The value of National Income in this economy is:

- a. \$1550K
- ☒ b. \$1500K
- c. \$1850K
- d. Can not be determined from the information given

4. (Vino 4) In the economy of Vino, suppose all firms' profits are distributed to households (HHs). The government taxes HH income at 20%. The level of government tax revenue is:

- ☒ a. \$300K
- b. \$200K
- c. \$100K
- d. \$30K
- e. can not be determined from the information given

1000 · 1,000 = \$1,000,000 · .2

200,000 + 10,000

5. (Vino 5) In the economy of Vino, again suppose all firms' profits are distributed to HHs. The government taxes HH income at 20%. In this economy, the level of HH saving is:

- a. \$100K
- b. \$150K
- c. \$250K
- ☒ d. \$350K
- e. \$500K

\$100,000

6. (Vino 6) Now consider a different assumption about the economy of Vino: firms' profits are not distributed to HHs. The government taxes the income of HHs only (firms' profits are not taxed) at 20%. The level of government tax revenues is:

a. \$180K  
**b. \$200K**  
 c. \$500K  
 d. \$900K

$$100,000 \cdot 0.2 = 20,000$$

7. (Vino 7) Consider question 6 above. The aggregate level of savings in this economy is:

a. \$50K  
 b. \$100K  
**c. \$150K**  
 d. \$200K

e. Can not be determined from the information given

### Questions 8-10 pertain to the following Scenario:

In the economy of Flying Carpet, two goods are produced: carpets and looms. Looms are considered an investment good. There are 100 workers in this economy. Each worker can produce either 1 carpet or 2 looms in one year. Each carpet is priced at \$10,000 and the price of a loom is \$5000. Currently, half of all workers produce carpets and the rest produce looms. Each worker is paid \$7000 in wages per year. There is no government sector. This economy exports 10 carpets and imports 15 carpets a year (each carpet is worth \$10K).

8. (Carpet 1) The level of consumption in this economy is:

a. \$250K  
 b. \$450K  
 c. \$500K  
**d. \$550K**  
 e. \$650K

$$50 \cdot 10,000 + 50 \cdot 5,000 = 550,000$$

100 workers  
 Looms: 1 carpet : 2 looms

Carpet = 10,000  
 Loom = 5,000  
 50 carpets  
 25 looms

9. (Carpet 2) The value of National Income in this economy is:

a. \$250K  
 b. \$500K  
**c. \$750K**  
 d. \$1000K

$$550,000 + 25 \cdot 5,000 = 675,000 + 125,000 = 800,000$$

$$W = 7,000$$

$$X = 10$$

$$M = 15$$

10. (Carpet 3) The value of foreign savings is:

**a. \$+50K**  
 b. \$ - 50K  
 c. \$ + 150K  
 d. \$ - 150K

$$15 - 10 \cdot 10,000 = 50,000$$

$$\begin{array}{r} 25 \\ 25 \\ 5 \\ \hline 125,000 \end{array}$$