

Quiz 1

Econ 2203

7 September 2000

Instructions

Answer each of the following in the empty space below or on the back of this page. To obtain credit you MUST fill in the table for number 1 and show your calculations (or the formula you would use) for number 2. If you do not have a calculator and do not trust your ability to do long division, then write down the formula for number 2 *with the numbers inserted in the places they are supposed to go*. I have faith in your ability to punch the right buttons on a calculator given that you know what to punch in!

1. Suppose that inventories fall by \$2 billion, consumption increases by \$8 billion, unemployment insurance payments decline by \$4 billion, and imports rise by \$1 billion. By how much should measured GDP change? To help, fill in the right side of table 1 with a I=increases GDP, D=decreases GDP, or N=no effect for each of the specified changes. Fill in the amounts for each I(ncrease) and D(ecrease) and then add them up.
2. If the population 16 years and older is 160 million, the number of discouraged workers is 10 million, the labor force is 100 million, and total employment is 90 million, then what is the measured unemployment rate?

$$\frac{Unemployed}{LF} = \frac{LF - Employed}{LF} = \frac{100 - 90}{100} = 10\% \quad (1)$$

Table 1: Table for question 1

Category	GDP I(+), D(-), or N?	Amount
Inventories fall	-	2
Consumption rises	+	8
Unemployment insurance payments decline	N	0
Imports rise	-	1
Total	+	5