

Introduction to Macroeconomics

ECO 1102F

BLUE ASSIGNMENT

C.Théoret

Winter 2013

Assignment Instructions

1. Please complete the assignment that was randomly allocated to you.
2. Submitting a non-allocated assignment will result in a 0 (zero) score.
3. You will require a **BLUE** answer sheet for your answers.
4. The course code for the **BLUE** assignment is **ECO1102FB**.
5. Answer sheets
 - will be distributed by the instructor at the March 28th lecture
 - are to be submitted at the beginning (11:30 am) of the April 4th lecture.
6. Late answer sheets will not be accepted.

Questions 1 to 9

<u>Year</u>	<u>Bread</u>		<u>Butter</u>		<u>Milk</u>	
	<u>Quantity</u>	<u>Price</u>	<u>Quantity</u>	<u>Price</u>	<u>Quantity</u>	<u>Price</u>
2005	100	\$5	300	\$20	100	\$20
2006	125	7	250	20	110	25

1. Assuming that the base year is 2005, actual GDP for the year 2005 is
 - a) \$7825
 - b) \$8500
 - c) \$8625
 - d) \$9200

2. Assuming that the base year is 2005, real GDP for the year 2005 is
 - a) \$7825

- b) \$8500
- c) \$8625
- d) \$9200

3. Assuming that the base year is 2005, the GDP price deflator for the year 2005 is
 - a) 100
 - b) 102.2
 - c) 104.9
 - d) 105.3
4. Assuming that the base year is 2005, the GDP price deflator for the year 2006 is
 - a) 100
 - b) 102.2
 - c) 104.9
 - d) 110.2
5. Assuming that the base year is 2005, the rate of inflation from year 2005 to year 2006 is
 - a) 0%
 - b) 2.2%
 - c) 4.9%
 - d) 10.2%
6. Assuming that the base year is 2006, actual GDP for the year 2005 is
 - a) \$7825
 - b) \$8500
 - c) \$8625
 - d) \$9200
7. Assuming that the base year is 2006, real GDP for the year 2005 is
 - a) \$7825
 - b) \$8500
 - c) \$8625
 - d) \$9200
8. Assuming that the base year is 2006, the GDP price deflator for the year 2005 is
 - a) 88.9
 - b) 92.4
 - c) 96.7
 - d) 100
9. Assuming that the base year is 2006, the rate of inflation from year 2005 to year 2006 is
 - a) 0%
 - b) 2.2%
 - c) 4.9%

d) 8.2%

Questions 10 to 12			
Year	GDP per capita	Average labour productivity	Share of population employed
1975	\$13,000	\$40,000	35%
2010		\$70,000	50%

10. If GDP per capita was influenced exclusively by increases in average labour productivity and by the increase in the percentage share of the population that was employed between 1975 and 2010, what was GDP per capita in the year 2010?
- a) \$22500
b) \$28400
c) \$32500
d) \$33600
11. If GDP per capita had been influenced exclusively by increases in the average labour productivity (i.e., the percentage share of the population that was employed was constant between 1975 and 2010), what would have been GDP per capita in the year 2010?
- a) \$22750
b) \$28400
c) \$32500
d) \$33600
12. If GDP per capita had been influenced exclusively by increases in the percentage share of the population that was employed between 1975 and 2010 (i.e., no change in labour productivity), what would have been GDP per capita in the year 2010?
- a) \$12275
b) \$18571
c) \$21679
d) \$23362

Questions 13 to 17				
	2009	2010	2011	2012
Actual GDP (\$ Billions)	A=?	1200	E=?	
Actual GDP growth rate (%)		3%		
Real GDP (\$ Billions)	B=?	C=?	1300	
Real GDP growth rate (%)				
GDP Price Deflator	98	100	103	
Rate of inflation (%)		D=?		

13. The dollar amount of cell A is
 a) \$1100
 b) \$1165
 c) \$1200
 d) \$1250
 e) None of these answers.
14. The dollar amount of cell B (1 decimal) is
 a) \$1100
 b) \$1200.3
 c) \$1188.8
 d) \$1165.8
 e) None of these answers.
15. The dollar amount of cell C is
 a) \$1100
 b) \$1200
 c) \$1188
 d) \$1166
 e) None of these answers.
16. The percentage growth rate of cell D is
 a) 0.5%
 b) 1%
 c) 1.5%
 d) 2.0%
 e) None of these answers.
17. The dollar amount of cell E is
 a) \$1300
 b) \$1339
 c) \$1200
 d) \$1266
 e) None of these answers.

Questions 18 to 21

Belvedere's labour market data on January 1, 2012

Table 1

1. Persons unemployed (in the labour force)	4,000,000
2. Persons of working age not in the labour force	5,000,000

3. Persons not of working age	25,000,000
4. Total population	60,000,000

18. On January 1, 2012, Belvedere's labour force was
- 4 million
 - 26 million
 - 30 million
 - 35 million
 - None of these answers.
19. On January 1, 2012, Belvedere's unemployment rate (rounded to 1 decimal) was
- 9.1%
 - 13.3%
 - 10.2%
 - 13.6%
 - None of these answers.
20. On January 1, 2012, Belvedere's labour force participation rate (rounded to 1 decimal) was
- 85.7%
 - 78.7%
 - 81.8%
 - 82.6%
 - None of these answers.
21. On January 1, 2012, Belvedere's employment rate (rounded to 1 decimal) was
- 85.7%
 - 78.7%
 - 81.8%
 - 82.6%
 - None of these answers.

<u>Questions 22 to 26</u>	
<u>SPEEDY BANK</u>	
<u>Assets</u>	<u>Liabilities + Net Worth</u>
1. Speedy deposits at the Bank of Canada = \$500	1. Customer deposits = \$10000
2. Cash on hand = 600	2. Other liabilities
3. Treasury Bills	3. Net Worth
4. Loans	
5. Other assets	
Desired reserve ratio = 10%	

22. Speedy Bank's total reserves are

- a) \$500
 - b) \$600
 - c) \$1100
 - d) None of these answers.
23. Speedy Bank's excess reserves are
- a) \$50
 - b) \$100
 - c) \$150
 - d) None of these answers.
24. What is the maximum dollar value of new loans that Speedy should grant?
- a) More than its excess reserves
 - b) More than its total reserves
 - c) Less than its excess reserves
 - d) Equal to its excess reserves.
25. The money multiplier is
- a) 10%
 - b) 1
 - c) 10
 - d) 100
26. What is the maximum amount of money that the banking system (Speedy Bank and all other banks) create from Speedy Bank's reserve situation?
- a) \$100
 - b) \$1000
 - c) \$2000
 - d) \$6000

Questions 27 to 29: Based on Okun's Law

27. Bounty's natural rate of unemployment is 5 percent, its cyclical unemployment rate is 2 percent and its potential GDP is \$1000. Bounty's official unemployment rate is
- a) 2%
 - b) 5%
 - c) 7%
 - d) Cannot be determined from the available information.
28. Bounty's natural rate of unemployment is 5 percent, its cyclical unemployment rate is 2 percent and its potential GDP is \$1000. Bounty's output gap is
- a) \$0
 - b) \$20
 - c) \$40

- d) Cannot be determined from the available information.
29. Bounty's natural rate of unemployment is 5 percent, its cyclical unemployment rate is 2 percent and its potential GDP is \$1000.
- a) There is a recessionary output gap in Bounty.
 - b) There is an inflationary output gap in Bounty
 - c) Bounty's output gap cannot be determined from the available information.

Questions 30 to 33

Given:

- Supply of domestic saving (S) = $2000 + 3000r$
 - Domestic saving demand for investment purposes (I) = $2600 - 2000r$
 - Supply of net capital inflows = $5000r$
- where r = rate of interest

30. If the loanable funds market is in equilibrium, the real interest rate is
- a) 3%
 - b) 4%
 - c) 6%
 - d) Cannot be determined from the available information.
31. If the loanable funds market is in equilibrium, domestic saving is
- a) \$300
 - b) \$2000
 - c) \$2180
 - d) \$2480.
32. If the loanable funds market is in equilibrium, domestic investment is
- a) \$300
 - b) \$2000
 - c) \$2180
 - d) \$2480.
33. If the loanable funds market is in equilibrium, the supply of foreign savings (net capital inflows) is
- a) \$300
 - b) \$2000
 - c) \$2180
 - d) \$2480.

Questions 34 to 35

34. If the Bank of Canada transfers \$1000 of its Government of Canada deposits to Reliable Bank, Reliable Bank assets will
- a) increase by \$1,000
 - b) decrease by \$1,000
 - c) remain unchanged
 - d) None of these answers.
35. If the Bank of Canada transfers \$1000 of its Government of Canada deposits to Reliable Bank, the transfer will
- a) enable Reliable Bank to create new money
 - b) cause Reliable Bank to decrease the stock of money
 - c) cause no change in the quantity of money
 - d) None of these answers.

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