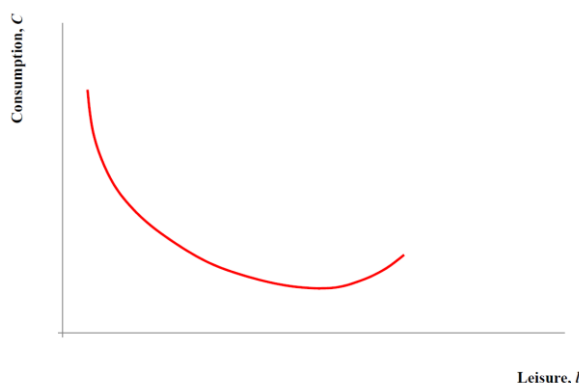


## Sample of questions for Midterm1 - Macroeconomic Theory III (Summer 2018)

Riccardo Magnani

- Explain why the variable “per capital real GDP” adjusts for inflation and for population growth.
- How the comovements between real GDP and another macroeconomic variable can be analyzed?
- Is unemployment a pro-cyclical variable? Why?
- What does it mean that a variable is a lagging variable? What does it imply?
- Represent graphically the indifference curves if the utility function of the representative consumer is  $U = C + l$ .
- Consider the following graphic. Is this indifference curve consistent with the hypothesis made about the utility functions? Why?  
Remember that the three hypotheses made about utility functions are: (i) more is always preferred to less; (ii) the consumer prefers diversity; (iii) Consumption and leisure are normal goods.



- Give the definition of the full disposable income.
- Define and represent graphically the budget constraint of the representative consumer.
- Using the appropriate graphics, show why an increase in non-labor incomes induces the representative consumer to reduce labor supply. Explain precisely the economic mechanisms.
- Consider an increase in the real wage. Explain precisely how the substitution effect should be analyzed.
- Consider an increase in the real wage. Explain precisely how the income effect should be analyzed.
- **Numerical exercise (see file Numerical questions\_Ch2\_1.pdf)**