

1. Which of the following is correct:

- a. Rent you paid is not included in GDP because housework is not included.
- b. Housing services provided by a self-owned house are not included in GDP because there is no market for that.
- c. Housing services provided by a self-owned house are included in GDP despite there is no market for that.
- d. Both rents and housework are included in GDP.

Answer: c

Housing services mean shelter services – they are imputed to included in GDP; housework is cooking, taking care of children, etc. it is not included in GDP.

2. The CPI is used to measure:

- a. Price changes at a given utility level.
- b. How much a good will cost in the future.
- c. The absolute size of the national debt.
- d. Your GPA.

Answer: a

3. Suppose the production function is: $Y=K^\alpha L^\beta$. Then:

- a. Marginal Product of Labor (MPL) = $\alpha K^{\alpha-1} L^\beta$
- b. Marginal Product of Labor (MPL) = $\beta K^{\alpha-1} L^\beta$
- c. Marginal Product of Labor (MPL) = $\beta K^\alpha L^{1-\beta}$
- d. Marginal Product of Labor (MPL) = $\beta K^\alpha L^{\beta-1}$

Answer: d