

Multiple-choice questions: 2 points each. Choose the best response to each prompt.

1. Which of the following would shift labor demand to the right?
 - (a) An increase in people's willingness to work.
 - (b) An increase in the costs of production
 - (c) Improvement in technology that increases labor productivity
 - (d) Decrease in the unemployment rate

2. Suppose a new government rule requires K-12 teachers to have additional qualifications in order to teach in public schools. Which of the following would happen in the labor market for public school teachers?
 - (a) Decrease in labor demand
 - (b) Increase in labor supply
 - (c) Increase in labor demand
 - (d) Decrease in labor supply

3. Suppose there is an increase in demand in Europe for U.S. produced automobiles. What would we expect to happen in the market for labor in the U.S. for automotive industry?
 - (a) Increase in demand for labor
 - (b) Decrease in supply of labor
 - (c) Decrease in demand for labor
 - (d) Increase in supply of labor

4. Which of the following has the potential to create unemployment?
 - (a) A decrease in labor supply, but when the wage remains stuck at the original level.
 - (b) A decrease in labor demand, but when the wage remains stuck at the original equilibrium level..
 - (c) An increase in demand for final goods and services.
 - (d) An increase in labor demand, but when the wage remains stuck at the original equilibrium level..

5. Which of the following is a TRUE statement about the labor demand curve?
- (a) The labor demand represents the profit-maximizing choices that businesses make for hiring workers.
 - (b) The labor demand represents the working population's decisions for how much they are willing and able to work.
 - (c) A decrease in wage leads to a decrease in the quantity of labor demanded.
 - (d) An increase in wage leads to a rightward shift in the labor demand curve.
6. Suppose there is a decrease in demand for college education, with more high school graduates deciding to look for work instead of going on to college. What would be the immediate effect on the labor market?
- (a) Increase in labor supply / Increase in equilibrium wage
 - (b) Increase in labor supply / Decrease in equilibrium wage
 - (c) Increase in labor demand / Increase in equilibrium wage
 - (d) Increase in labor demand / Decrease in equilibrium wage
7. Suppose recent increases in profitability for firms in the communication technology industry leads to new firms entering the market. What is the equilibrium effect on the market for labor?
- (a) Decrease in employment / Increase in wage
 - (b) Increase in employment / Decrease in wage
 - (c) Decrease in employment / Decrease in wage
 - (d) Increase in employment / Increase in wage
8. Suppose there is an improvement in wireless Internet technology that makes workers more productive. What would be the equilibrium impact on the market for labor?
- (a) Increase in labor supply and a decrease in wage
 - (b) Increase in labor supply and increase in wage
 - (c) Increase in both labor demand and labor supply, indeterminate effect on wage
 - (d) Increase in labor demand and increase in wage
9. Suppose there is an increase in immigration into the United States causing more people wishing to enter the labor market and an increase in demand for final goods and services. What is the impact on the market for labor?
- (a) Increase in labor demand and an increase in labor supply
 - (b) Increase in labor demand and a decrease in labor supply
 - (c) Increase in labor supply and a decrease in wage
 - (d) Increase in labor demand and an increase in wage

10. If businesses decide to expand their facilities, this is which of the following?
- (a) Increase in savings supply
 - (b) Decrease in savings supply
 - (c) Decrease in investment demand
 - (d) Increase in investment demand
11. Which of the following happens as interest rates increase?
- (a) Movement along investment demand curve to a lower level of investment.
 - (b) Movement along investment demand curve to a higher level of investment.
 - (c) Shift of the investment demand curve to a lower level of investment.
 - (d) Shift of the investment demand curve to a higher level of investment.
12. Which of the following is a component of saving supply?
- (a) Interest rates
 - (b) Investment purchases
 - (c) Real GDP
 - (d) International trade deficit (Imports - Exports)
13. Suppose a government increases both taxes and spends exactly the increase in tax revenue on monuments and parks. Which of the following would happen in the market for loanable funds?
- (a) Increase in investment demand
 - (b) Increase in saving supply
 - (c) Decrease in interest rates
 - (d) No change in saving supply or investment demand.
14. Which of the following causes the saving supply to shift to the right?
- (a) Decrease in private saving
 - (b) Decrease in exports with no change in imports.
 - (c) Decrease in imports with no change in exports
 - (d) Increase in government expenditures with no change in taxes

15. Suppose an improvement in technology makes capital more productive. What would be the impact on the equilibrium in the loanable funds market?
- (a) Decrease in investment and decrease in interest rates
 - (b) Increase in investment and decrease in interest rates
 - (c) Decrease in investment and increase in interest rates
 - (d) Increase in investment and increase in interest rates
16. Suppose a hurricane destroys capital stock. Which of the following is TRUE?
- (a) Technology will increase
 - (b) Marginal product of labor will increase
 - (c) Marginal product of capital will increase
 - (d) Investment demand will shift to the left
17. Suppose businesses' economic outlook worsens and businesses decide now is not the right time for expansion or maintenance projects on their facilities. What is the impact on the equilibrium in the market for loanable funds?
- (a) Decrease in interest rate and a decrease in equilibrium investment
 - (b) Increase in interest rate and a decrease in equilibrium investment
 - (c) Increase in interest rate and increase in equilibrium investment
 - (d) Decrease in interest rate and increase in equilibrium investment
18. Which of the following is the best measure among the others for economic well being to compare across countries and across time?
- (a) Real GDP
 - (b) Investment
 - (c) Capital per worker
 - (d) Real GDP per capita
19. Which of the following best describes China's economic status and growth during the last two decades?
- (a) A highly-developed country with a low rate of economic growth.
 - (b) A highly-developed country with a high rate of economic growth.
 - (c) A lesser-developed country with a low rate of economic growth.
 - (d) A lesser-developed country with a high rate of economic growth.

20. Which of the following is a potential source of growth of output per worker?
- (a) Improvement in population growth rate
 - (b) Improvement in inflation
 - (c) Increase in capital stock per worker
 - (d) Improvement in interest rates
21. Suppose there is an increase in the time and effort people spend toward obtaining workforce training and/or college education. Which of the following is TRUE?
- (a) There is a rightward shift of the productivity curve
 - (b) There is a decrease in physical capital per worker
 - (c) There is a decrease in human capital
 - (d) There is an increase in human capital
22. As you move rightward along the productivity curve, what happens to the marginal product of capital?
- (a) Marginal product of capital becomes equal to the quantity of capital
 - (b) Marginal product of capital increases
 - (c) Marginal product of capital neither increases nor decreases
 - (d) Marginal product of capital decreases
23. Which of the following causes an upward pivot of the productivity curve?
- (a) Increase in interest rates
 - (b) Increase in human capital
 - (c) Decrease in the marginal product of capital
 - (d) Increase in physical capital per worker
24. Which of the following can lead to an increase in output per worker in the long run?
- (a) Smaller trade deficits (smaller difference of imports-exports)
 - (b) Smaller private savings
 - (c) Smaller government budget deficits
 - (d) Leftward shift in investment demand

25. Which of the following can lead to a decrease in output per worker in the long-run?

- (a) An increase in savings demand
- (b) A decrease in interest rates
- (c) A decrease in investment demand
- (d) An increase in savings supply

Short-answer problem-solving questions: 5 points each. Answer the questions in the space provided.

26. Suppose there is an improvement in computer technology that makes workers more productive. Describe and illustrate the impact on the equilibrium wage and employment.

27. Suppose more two-parent families decide to have only one member of the household participate in the labor force, rather than both parents. Describe and illustrate the impact on the equilibrium wage and employment.

28. Suppose there is a pandemic that causes a decrease in demand for goods and services and at the same time, causes people to decide to temporarily leave the labor force to care for family members. Describe and illustrate the impact on the equilibrium wage and employment.

29. Suppose there is an improvement in technology that makes workers and capital more productive. Describe and illustrate the impact on the equilibrium interest rate and level of investment.

30. Suppose a country reduces legal international trade barriers and it results in more imports, no change in exports, and a reduction in demand for domestically-produced products. Describe and illustrate the impact on the equilibrium interest rate and level of investment.

31. Suppose a government increases its spending on infrastructure such as roads, electrical lines, and communications infrastructure, all of which make business more productive. Suppose the government does this while keeping tax revenues the same. Describe and illustrate the impact on the equilibrium interest rate and level of investment.
32. Suppose consumers permanently decrease in the fraction of income that they spend, leading to higher demand for final goods and services and lower personal savings. Describe and illustrate the impact on the equilibrium interest rate and level of investment.

33. Suppose new management strategies cause workers to be more motivated and more productive. Describe and illustrate the impact on the long-run output per worker for a country.
34. Suppose previous investments in public education have led to a more educated and trained workforce. Describe and illustrate the impact on the long-run output per worker for a country.
35. Suppose federal and state governments increase spending on routine health care services which have been shown to improve health outcomes for most adults. Describe and illustrate the impact on the long-run output per worker for a country.