

**Problem 1.** The supply of labor is the same thing as

- (a) the total number of jobs available in the economy
- (b) the labor force
- (c) the number of vacant jobs in the economy
- (d) the nubmer of jobs firms offer to households
- (e) none of the above

**Problem 2.** At the macroeconomic level, demand for labor is

- (a) the total number of filled and unfilled jobs available
- (b) the total number of unfilled jobs available
- (c) the total number of people who have jobs
- (d) the total number of people who demand jobs from business firms
- (e) none of the above

**Problem 3.** In the labor market, the **substitution effect** refers to the notion that when the real wage increases,

- (a) the opportunity cost of labor increases and, therefore, workers work less
- (b) the opportunity cost of leisure increases and, therefore, workers work more
- (c) workers feel they are richer and, therefore, they consume more and save less
- (d) workers feel they are richer and, therefore, they save more and consume less
- (e) none of the above

**Problem 4.** In the labor market, the **income effect** indicates that

- (a) when the real wage increases, workers' income increases and, therefore, they save more
- (b) when the real wage increases, workers need to work fewer hours to earn the same income as before
- (c) when the real wage increases, workers need to work fewer hours to earn the same income as before, so they work less
- (d) when the real wage increases, workers' income increases, and therefore they increase their demand for goods and services
- (e) none of the above

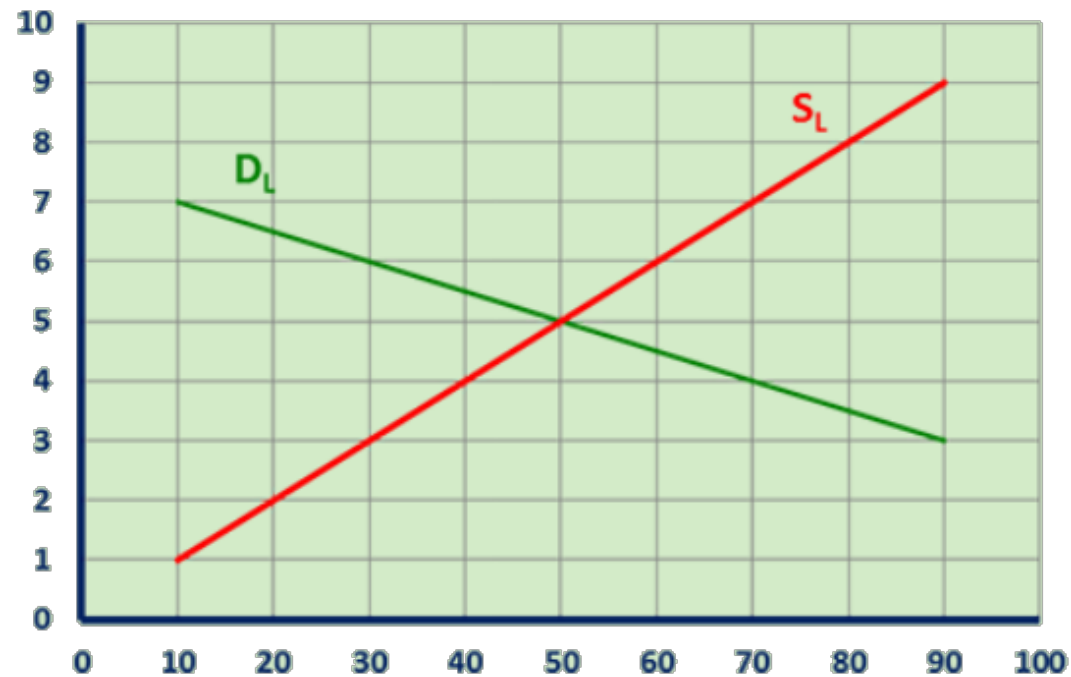
**Problem 5.** Which of the following is correct?

- (a) supply of labor = labor force participation rate  $\times$  labor force
- (b) supply of labor = labor force participation rate  $\times$  employment
- (c) supply of labor = labor force participation rate  $\times$  (employed + unemployed)
- (d) supply of labor = labor force participation rate  $\times$  population
- (e) none of the above

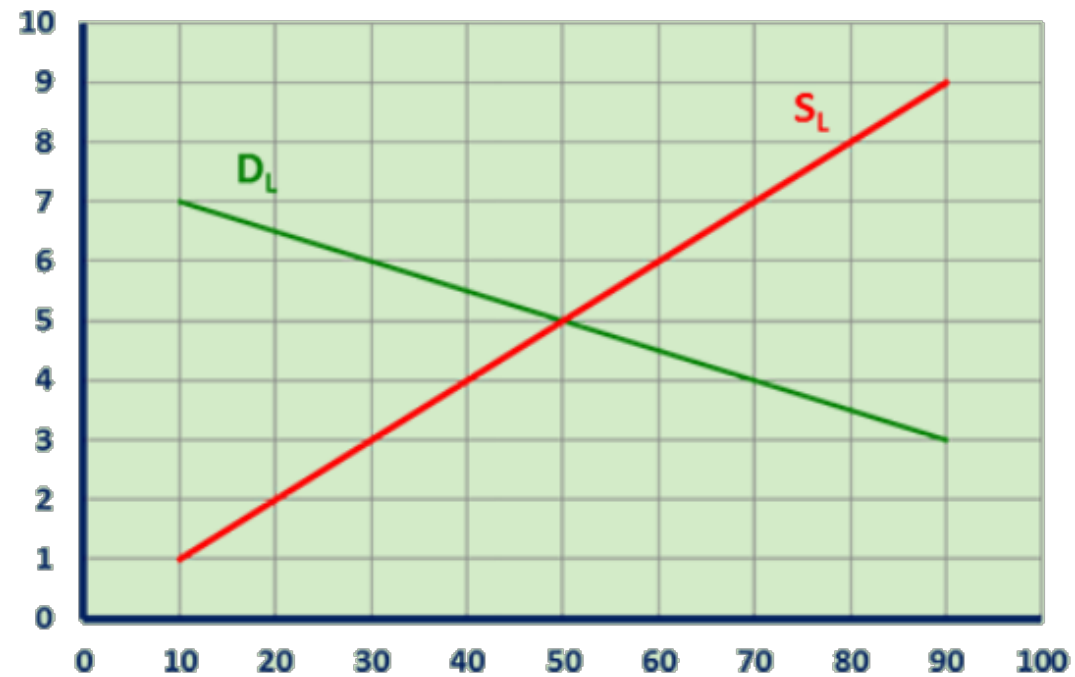
**Problem 6.** Consider the table below. Suppose that the price level is  $P = \$30$ . What is the nominal wage?

Real Wage	Labor Demand	Labor Supply
6	700	300
8	600	400
10	500	500
12	400	600
14	300	700

**Problem 7.** The figure shows the labor market for a country, with labor measured in workers. The nominal wage is \$20 and the price level is \$4. If the supply of labor increases by 30 units, and the price level remains unchanged, what will be the new equilibrium nominal wage?



**Problem 8.** If the supply of and demand for labor both increase by 30 units, what is the new equilibrium number of jobs available?



**Problem 9.** Which of the following events could cause the demand for labor function to shift to the right?

- (a) an increase in the amount of complementary capital
- (b) an increase in the productivity of labor
- (c) a labor-using technological process
- (d) all of the above
- (e) none of the above

**Problem 10.** Which of the following events could cause the supply of labor to shift to the right, all else equal?

- (a) an increase in net immigration
- (b) an increase in net birth
- (c) an increase in the labor force participation rate
- (d) all of the above
- (e) none of the above