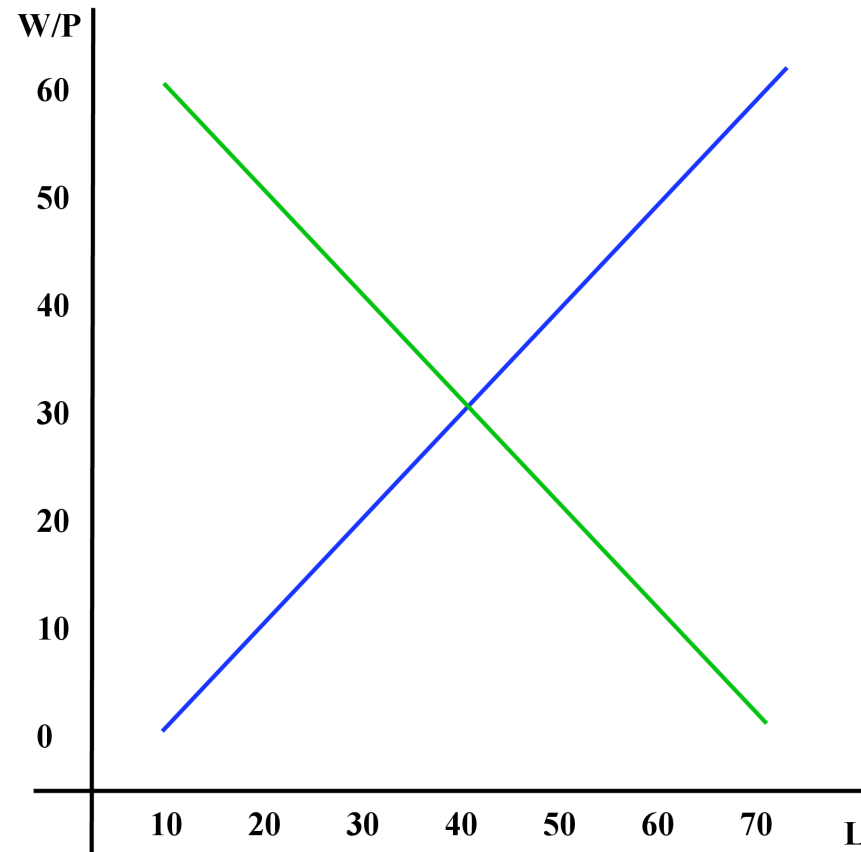
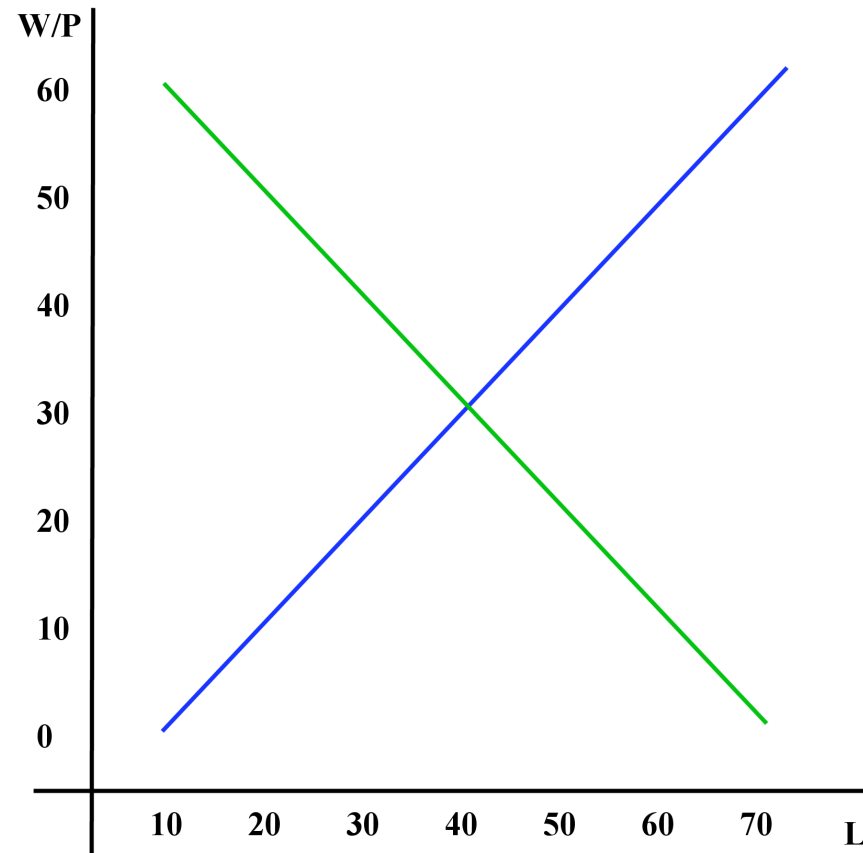


**Problem 1.** Using the labor market graph below, find the equilibrium real wage and laborers. (Answers will be “nice.”) If frictional unemployment is 10%, how many unemployed workers are there?

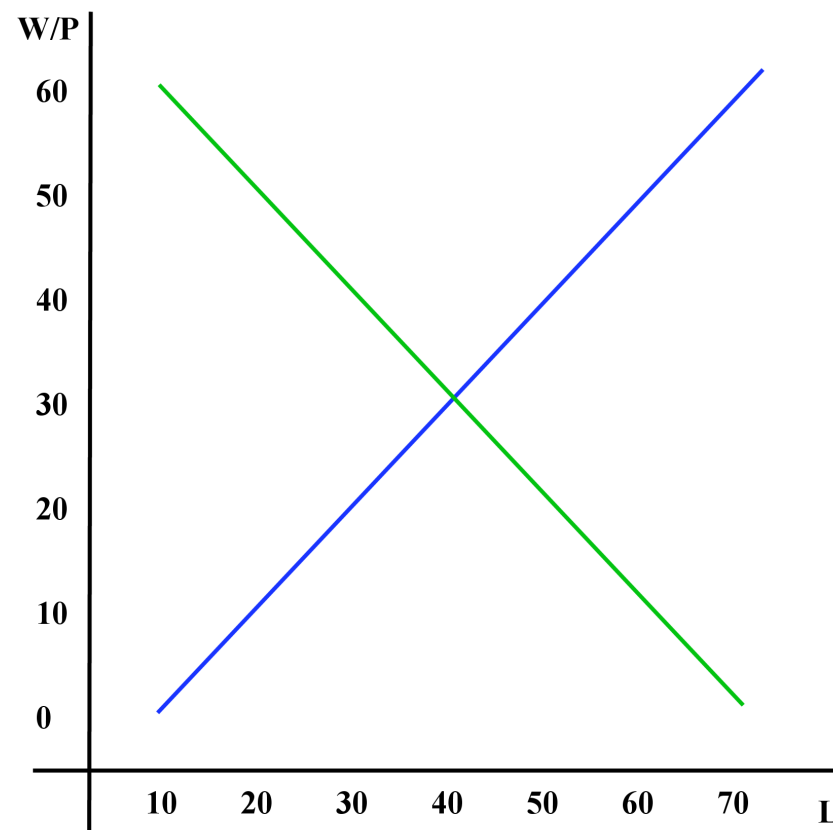


**Problem 2.** Now suppose the government imposes a minimum real wage of 40. Find the number of structurally unemployed workers, the number of overall unemployed workers, and the overall unemployment rate.



**Problem 3.** Suppose the minimum wage is still present. Now suppose a recession hits the economy and real GDP falls. As a result, people buy less stuff, so in order to get people to buy more stuff again, firms lower their prices. Nominal wages are rigid, so  $W/P$  goes *up* to 50. (Thus the real wage is counter-cyclical here.)

Find the number of cyclically unemployed workers, total unemployed workers, and the overall unemployment rate.



**Problem 4.** Define scarcity.

**Problem 5.** Define microeconomics and macroeconomics.

**Problem 6.** Define positive and normative statements.

**Problem 7.** What does ceteris paribus mean?

**Problem 8.** What is the fallacy of composition?