Name (please print) ________________________________

Assigned seat ________________

Place all answers to your quiz in the space provided at the end of the quiz. No credit will be given for misplaced answers. All answers must be recorded in ink.

1. Holding capital and technology constant, an increase in an economy’s population will
   a. reduce real wages, increase real GDP, and reduce productivity.
   b. reduce real wages, reduce real GDP, and increase productivity.
   c. increase real wages, increase real GDP, and decrease productivity.
   d. none of the above.

2. Which of the following would NOT shift the production function upward?
   a. an increase in the population.
   b. an increase in the amount of capital in the economy.
   c. a more skilled labor force.
   d. all of the above would shift the production function upward.

In December of 2002, there were 215.0 million people in the civilian non-institutional population, 142.3 million people in the civilian labor force and 134.2 million people employed.

3. Based on the above information, what was the employment rate in December 2002?
   a. 66.2%   b. 94.3%   c. 62.4%   d. 93.9%

4. Based on the above information, what was the December 2002 unemployment rate?
   a. 4.8%   b. 5.2%   c. 5.7%   d. 6.1%

5. Start with the December 2002 numbers and suppose that 2 million people who were employed in December 2002 are laid off from their jobs. Among the laid off workers, 1 million decide to retire, .6 million decide to look for another job, and .4 million decide to stay at home and watch the children. What would the new unemployment rate be?
   a. 5.8%   b. 6.2%   c. 6.4%   d. 7.2%

6. Which of the following people would NOT be included in the civilian non-institutionalized population?
   a. A 20 year old college student who is neither working or looking for work.
   b. A 70 year person who lives in Florida who is neither working or looking for work.
   c. A 14 year old high school student who has a part-time job at McDonalds.
   d. A 35 year old person with a full-time job at General Motors.
Refer to the labor market and production function drawn below to answer the next 2 questions.

7. At the equilibrium level of employment, we should expect real GDP (output) of _____ and productivity of _____.
   a. 10; 5,000  b. 10,000; 2  c. 10; 2  d. 10, less than 2.

8. Based on the diagram above, if the real wage is currently $12, we should expect:
   a. a surplus of labor and downward pressure on real wages.
   b. a surplus of labor and upward pressure on real wages.
   c. a shortage of labor and downward pressure on real wages.
   d. a shortage of labor and upward pressure on real wages.

9. According to the equation of exchange, if velocity is held constant, prices will rise over time if and only if:
   a. the money supply grows.
   b. the money supply grows at a faster rate than output grows.
   c. outputs falls.
   d. money supply falls at a faster rate than output falls.

10. According to the equation of exchange, if the economy produces 200 units of output annually, the price level is 5, and there is $100 of money:
    a. there will be inflation over time.
    b. there will be deflation over time.
    c. velocity will be 10
    d. velocity will be .10

ANSWERS

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