

Quiz 2

February, 1, 2011

1. The Mariel Boat Lift increase labor force of Miami by 7%. The classic economic theory would predict:

- a) All Cubans arrived in Miami were very happy so they worked harder.
- b) Wages in the city of Miami should decrease, if everything else remained the same.
- c) The minimum wage in the city of Miami should decrease.
- d) The housing market in Miami became less expensive.

Answer: b)

2. If war-caused higher military spending pushes the interest rate higher, it is evidence that:

- a) higher military spending creates more jobs
- b) higher interest rate cause higher budget deficit
- c) higher budget deficit causes higher interest rate
- d) we do not know the causality between interest rate and budget deficit

Answer: c)

3. A sudden discovery of gold mine would increase the capital of the country by 10%. What would happen?

- a) a higher interest rate.
- b) a lower wage rate.
- c) the share of labor in the total output would decrease.
- d) the share of the labor in the total output would remain the same.

Answer: d)