

Quiz 2

1. During the Mariel Boat Lift, more than 125,000 Cubans arrived at Miami during a short period of time. According to the basic economic theory, what would happen to the labor market in Miami?

- a) All Cubans 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.

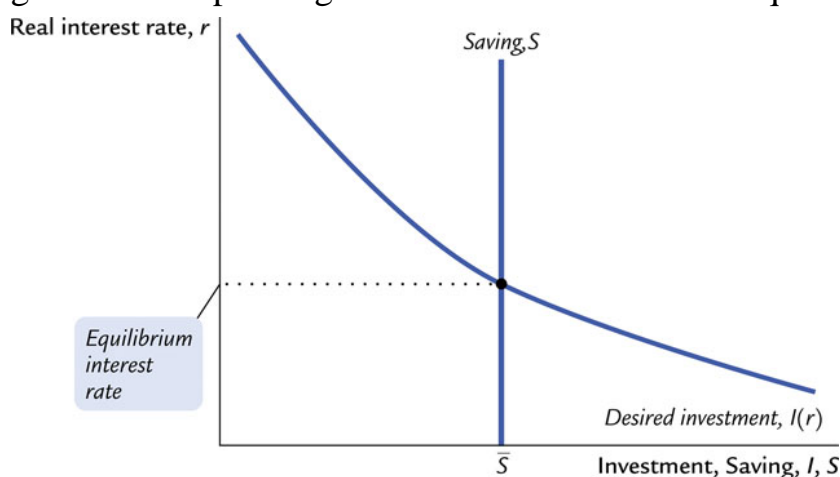
Answer: b

2. If war-caused higher military spending pushes the interest rate high, 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. Consider the following graph. The Obama stimulus program would raise government spending G . What would be the consequence?



- a) Higher interest rate, higher private investment.
- b) Lower interest rate, lower private investment.
- c) Higher interest rate, lower private investment.
- d) Lower interest rate, higher private investment.

Answer: c