A. On one side of a single sheet of paper:

1. Clearly and accurately draw and label a diagram of the Production Function relating economic activity to employment.

2. Provide an economic explanation of the shape of the curve(s) in your diagram in #1.

3. List the endogenous and exogenous variables in this model.

4. List the variables (and the direction of their change) that would shift the Production Function higher. Also provide an economic explanation for why each of these variables would shift the Production Function.

B. On one side of a single sheet of paper:

1. Clearly and accurately draw and label a diagram of the Labor Market

2. Provide an economic explanation of the shape of the curve(s) in your diagram in #1.

3. List the endogenous and exogenous variables in this model.

4. List the variables (and the direction of their change) that would shift the demand for labor function to the right. Also provide an economic explanation for why each of these variables would shift the Demand for Labor Function.

5. List the variables (and the direction of their change) that would shift the supply of labor function to the right. Also provide an economic explanation for why each of these variables would shift the Supply of Labor Function.

6. Assume that the labor market starts in equilibrium. Suppose now that the supply of labor increases. Describe the adjustment process that moves the labor market from its initial equilibrium to its final equilibrium.

C. On one side of a single sheet of paper:

1. Clearly and accurately draw and label a diagram of Okun’s Law.

2. Provide an explanation of the shape of the curve(s) that you have drawn in your diagram in #1.

3. Provide an economic explanation of Okun’s Law.