

1. Define the marginal product of labor. What does it mean to have “diminishing marginal product”?
2. Why do firms hire labor at the level of employment where  $MPL = W/P$ ?
3. What is the marginal propensity to consume? Thinking about your own behavior, what is the value of *your* marginal propensity to consume? How would you expect the value of the instructor’s MPC to differ from yours? Why?
4. What do macroeconomists mean by the term “investment”? How does this differ from others ways the term is used in common speech? Why is the macroeconomic concept of investment negatively affected by an increase in the real interest rate?