Chapter 01

Introduction to Labor Economics

**Multiple Choice Questions**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 1. | Which is not a decision made by potential workers in the United States?

|  |  |
| --- | --- |
| A.  | Deciding whether or not to participate in the labor force.  |

|  |  |
| --- | --- |
| B.  | Determining how to divide one's time between work and leisure.  |

|  |  |
| --- | --- |
| C.  | Choosing how much to produce to maximize firm profit.  |

|  |  |
| --- | --- |
| D.  | Choosing how much education to receive.  |

|  |  |
| --- | --- |
| E.  | Deciding which occupation to pursue.  |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 2. | Which of the following is not a leading actor in labor markets?

|  |  |
| --- | --- |
| A.  | Consumers |

|  |  |
| --- | --- |
| B.  | Firms |

|  |  |
| --- | --- |
| C.  | Workers |

|  |  |
| --- | --- |
| D.  | Government |

|  |  |
| --- | --- |
| E.  | Unions |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 3. | The labor demand curve shows how many workers the firm is willing to hire

|  |  |
| --- | --- |
| A.  | at any particular time. |

|  |  |
| --- | --- |
| B.  | at a particular amount of labor supplied. |

|  |  |
| --- | --- |
| C.  | at any given wage. |

|  |  |
| --- | --- |
| D.  | into high-skill jobs. |

|  |  |
| --- | --- |
| E.  | when demand for the firm's output is low. |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 4. | An outward shift in the labor demand curve implies that.

|  |  |
| --- | --- |
| A.  | employers are now looking to hire more workers at any given wage. |

|  |  |
| --- | --- |
| B.  | employers are now looking to hire more workers if the wage increases. |

|  |  |
| --- | --- |
| C.  | employers are now looking to hire fewer workers regardless of the wage. |

|  |  |
| --- | --- |
| D.  | demand for the firm's output likely fell. |

|  |  |
| --- | --- |
| E.  | a greater number of workers are now more willing to work at any given wage. |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 5. | The labor supply curve shows how many workers are willing to work

|  |  |
| --- | --- |
| A.  | in a particular industry. |

|  |  |
| --- | --- |
| B.  | at any given time. |

|  |  |
| --- | --- |
| C.  | at the minimum wage. |

|  |  |
| --- | --- |
| D.  | at any given wage. |

|  |  |
| --- | --- |
| E.  | in order to maximize the firm's profit. |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 6. | An upward-sloping labor supply curve implies that

|  |  |
| --- | --- |
| A.  | a firm can always hire more workers, even without increasing the wage. |

|  |  |
| --- | --- |
| B.  | more workers are willing to work when wages are low. |

|  |  |
| --- | --- |
| C.  | more workers are willing to work as the market wage increases. |

|  |  |
| --- | --- |
| D.  | labor supplied is fixed. |

|  |  |
| --- | --- |
| E.  | there is a continuously increasing demand for labor. |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 7. | Labor economics concerns

|  |  |
| --- | --- |
| A.  | how labor markets work. |

|  |  |
| --- | --- |
| B.  | the study of education decisions. |

|  |  |
| --- | --- |
| C.  | the study of how households decide where to live. |

|  |  |
| --- | --- |
| D.  | the study of income inequality. |

|  |  |
| --- | --- |
| E.  | All of these are labor economics concerns. |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 8. | A firm's labor demand curve is typically

|  |  |
| --- | --- |
| A.  | a vertical line. |

|  |  |
| --- | --- |
| B.  | a horizontal line. |

|  |  |
| --- | --- |
| C.  | upward-sloping. |

|  |  |
| --- | --- |
| D.  | downward-sloping. |

|  |  |
| --- | --- |
| E.  | associated with a slope equal in absolute value to the slope of the labor supply curve. |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 9. | The typical labor supply curve

|  |  |
| --- | --- |
| A.  | is u-shaped. |

|  |  |
| --- | --- |
| B.  | equals the marginal product of labor. |

|  |  |
| --- | --- |
| C.  | slopes up. |

|  |  |
| --- | --- |
| D.  | slopes down. |

|  |  |
| --- | --- |
| E.  | depends on the size of the firm. |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 10. | Which of the following affects the wage a firm is willing to pay its workers?

|  |  |
| --- | --- |
| A.  | The productivity of workers. |

|  |  |
| --- | --- |
| B.  | Consumer demand for the goods and/or services that the firm creates. |

|  |  |
| --- | --- |
| C.  | The amount of fringe benefits the firm is required by law to pay. |

|  |  |
| --- | --- |
| D.  | The level of payroll taxes the firm must pay. |

|  |  |
| --- | --- |
| E.  | All of the above affect the wage a firm is willing to pay its workers. |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 11. | Which of the following affects a person's decision to work?

|  |  |
| --- | --- |
| A.  | The price of consumption goods relative to the wage. |

|  |  |
| --- | --- |
| B.  | The person's income from non-labor sources. |

|  |  |
| --- | --- |
| C.  | How much the person enjoys working. |

|  |  |
| --- | --- |
| D.  | The amount of fringe benefits offered to the person. |

|  |  |
| --- | --- |
| E.  | All of the above affect a person's decision to work. |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 12. | Labor market equilibrium is best characterized by:

|  |  |
| --- | --- |
| A.  | A wage at which all people have a job. |

|  |  |
| --- | --- |
| B.  | A wage at which all workers are above the poverty level. |

|  |  |
| --- | --- |
| C.  | A wage at which the number of people willing to work equals the number of workers firms are willing to hire. |

|  |  |
| --- | --- |
| D.  | A minimum wage at which everyone is willing to work. |

|  |  |
| --- | --- |
| E.  | All workers receiving their ideal wage. |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 13. | Labor economists sometimes refer to labor demand as “derived” demand. In this context, where does “derived” come from?

|  |  |
| --- | --- |
| A.  | The firm’s production function. |

|  |  |
| --- | --- |
| B.  | The union’s willingness to accept a lower wage. |

|  |  |
| --- | --- |
| C.  | Consumer demand for the firm’s product. |

|  |  |
| --- | --- |
| D.  | The firm’s profit. |

|  |  |
| --- | --- |
| E.  | The degree of competition in the firm’s industry. |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 14. | The government is a player in the U.S. labor market in part because the government

|  |  |
| --- | --- |
| A.  | determines who can go to college. |

|  |  |
| --- | --- |
| B.  | assigns potential workers to particular industries. |

|  |  |
| --- | --- |
| C.  | sets workplace worker safety regulations. |

|  |  |
| --- | --- |
| D.  | suggests a minimum wage for firms to pay. |

|  |  |
| --- | --- |
| E.  | funds employer-based health insurance benefits. |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 15. | A firm's demand for labor is derived in part from

|  |  |
| --- | --- |
| A.  | worker preferences for jobs. |

|  |  |
| --- | --- |
| B.  | consumer demand for the firm's product. |

|  |  |
| --- | --- |
| C.  | the level of monthly union dues. |

|  |  |
| --- | --- |
| D.  | the firm's sunk costs. |

|  |  |
| --- | --- |
| E.  | the value of the firm's stock price. |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 16. | The market for economists in Greenland has recently experienced an increase in the number of economists employed and an increase in the wage of economists. What could explain such a change?

|  |  |
| --- | --- |
| A.  | The demand for economists recently increased while the supply of economists remained unchanged. |

|  |  |
| --- | --- |
| B.  | The demand for economists recently decreased while the supply of economists remained unchanged. |

|  |  |
| --- | --- |
| C.  | The demand for economists remained unchanged while the supply of economists increased. |

|  |  |
| --- | --- |
| D.  | The demand for economists remained unchanged while the supply of economists decreased. |

|  |  |
| --- | --- |
| E.  | The demand for economists recently decreased while the supply of economists recently increased. |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 17. | Suppose labor supply can be described as *E*S = 0.1*w* - 1,000 where *w* is yearly salary. How many workers are willing to work when the yearly salary is $20,000?

|  |  |
| --- | --- |
| A.  | 100 |

|  |  |
| --- | --- |
| B.  | 200 |

|  |  |
| --- | --- |
| C.  | 500 |

|  |  |
| --- | --- |
| D.  | 1,000 |

|  |  |
| --- | --- |
| E.  | 2,000 |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 18. | Suppose labor supply can be described as *E*S = 0.1*w* - 1,000 where *w* is yearly salary. What yearly salary must be paid to encourage 6,000 workers to accept jobs?

|  |  |
| --- | --- |
| A.  | $30,000 |

|  |  |
| --- | --- |
| B.  | $40,000 |

|  |  |
| --- | --- |
| C.  | $50,000 |

|  |  |
| --- | --- |
| D.  | $60,000 |

|  |  |
| --- | --- |
| E.  | $70,000 |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 19. | What is likely to happen to the demand for firemen as building codes change to require firewalls and sprinklers to be included in all new construction?

|  |  |
| --- | --- |
| A.  | The demand for firemen will fall as the demand for fire protection services falls. |

|  |  |
| --- | --- |
| B.  | The demand for firemen will increase as the supply of firemen falls when old buildings are replaced with newer buildings. |

|  |  |
| --- | --- |
| C.  | The demand for firemen will remain unchanged as firemen don't build new construction. |

|  |  |
| --- | --- |
| D.  | The demand for firemen will increase as long as wages paid to workers on new construction projects exceed the minimum wage. |

|  |  |
| --- | --- |
| E.  | The demand for firemen will decrease as long as the property tax-base increases when the new construction projects are completed. |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 20. | Suppose labor demand can be described as *E*D = 120,000 − 1.5*w*, where *w* is yearly salary. How many more workers are demanded at a going wage of $60,000?

|  |  |
| --- | --- |
| A.  | $20,000 |

|  |  |
| --- | --- |
| B.  | $30,000 |

|  |  |
| --- | --- |
| C.  | $40,000 |

|  |  |
| --- | --- |
| D.  | $50,000 |

|  |  |
| --- | --- |
| E.  | $60,000 |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 21. | What is likely to happen to the supply of firemen as building codes change to require firewalls and sprinklers to be included in all new construction?

|  |  |
| --- | --- |
| A.  | The supply of firemen will fall because there will be fewer fires. |

|  |  |
| --- | --- |
| B.  | The supply of firemen will increase because there will be fewer fires. |

|  |  |
| --- | --- |
| C.  | The supply of firemen will remain unchanged because the supply curve relates the number of fire fighters to the wage, not to the number of fires. |

|  |  |
| --- | --- |
| D.  | The supply of firemen will increase as long as wages paid to workers on new construction projects is also increasing. |

|  |  |
| --- | --- |
| E.  | The supply of firemen will decrease as long as the property tax-base increases when the new construction projects are completed. |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 22. | What is likely to happen to the labor market equilibrium for firemen as building codes change to require firewalls and sprinklers to be included in all new construction?

|  |  |
| --- | --- |
| A.  | The number of firemen employed will increase while firemen wages will decrease. |

|  |  |
| --- | --- |
| B.  | The number of firemen employed will decrease while firemen wages will decrease. |

|  |  |
| --- | --- |
| C.  | The number of firemen employed will increase while firemen wages will increase. |

|  |  |
| --- | --- |
| D.  | The number of firemen employed will decrease while firemen wages will increase. |

|  |  |
| --- | --- |
| E.  | The number of firemen employed will remain the same while firemen wages will increase. |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 23. | When forming theories, economists must be careful to

|  |  |
| --- | --- |
| A.  | include all known facts and details. |

|  |  |
| --- | --- |
| B.  | omit crucial factors. |

|  |  |
| --- | --- |
| C.  | mirror the real world as realistically but as simply as possible. |

|  |  |
| --- | --- |
| D.  | consider historical behavior and policies. |

|  |  |
| --- | --- |
| E.  | limit the analysis to two variables. |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 24. | What type of questions can be answered with economic tools without interjecting any value judgment as to whether the particular outcome is desirable or harmful?

|  |  |
| --- | --- |
| A.  | Normative questions. |

|  |  |
| --- | --- |
| B.  | Positive questions. |

|  |  |
| --- | --- |
| C.  | Labor questions. |

|  |  |
| --- | --- |
| D.  | Econometric questions. |

|  |  |
| --- | --- |
| E.  | Public policy questions. |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 25. | What type of questions cannot be answered with theory or facts alone?

|  |  |
| --- | --- |
| A.  | Normative questions. |

|  |  |
| --- | --- |
| B.  | Positive questions. |

|  |  |
| --- | --- |
| C.  | Factual questions. |

|  |  |
| --- | --- |
| D.  | Empirical questions. |

|  |  |
| --- | --- |
| E.  | Econometric questions. |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 26. | Which of the following is a positive (rather than a normative) question?

|  |  |
| --- | --- |
| A.  | What effect does increasing welfare assistance by 20% have on female labor supply? |

|  |  |
| --- | --- |
| B.  | Should the U.S. allow unlimited immigration? |

|  |  |
| --- | --- |
| C.  | Should the "Highly Qualified Teacher" provision of No Child Left Behind be eliminated? |

|  |  |
| --- | --- |
| D.  | Should there be a minimum wage? |

|  |  |
| --- | --- |
| E.  | Should trade unions be allowed to lobby Congress? |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 27. | Which of the following is a normative (rather than a positive) statement?

|  |  |
| --- | --- |
| A.  | The (nominal) minimum wage is $7.25 per hour. |

|  |  |
| --- | --- |
| B.  | Public education should be funded primarily at the state level. |

|  |  |
| --- | --- |
| C.  | The federal debt exceeds $8 trillion. |

|  |  |
| --- | --- |
| D.  | At its peak, unemployment exceeded 10% during the 2007 recession. |

|  |  |
| --- | --- |
| E.  | The average wage of high-school dropouts has fallen by 20% since 1970. |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 28. | Any economic model should be judged primarily on:

|  |  |
| --- | --- |
| A.  | How realistic its assumptions are. |

|  |  |
| --- | --- |
| B.  | How accurately its predictions match observed behavior. |

|  |  |
| --- | --- |
| C.  | How easy the model is to use. |

|  |  |
| --- | --- |
| D.  | How many aspects of real-world behavior and choices are incorporated in the model. |

|  |  |
| --- | --- |
| E.  | How original the model is compared to other models. |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 29. | In an econometric model, the dependent variable is

|  |  |
| --- | --- |
| A.  | the behavior one is trying to explain. |

|  |  |
| --- | --- |
| B.  | unchanging across sub-samples. |

|  |  |
| --- | --- |
| C.  | always the wage. |

|  |  |
| --- | --- |
| D.  | also known as the residual. |

|  |  |
| --- | --- |
| E.  | unrelated to the independent variables. |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 30. | When plotting log wages (y-axis) against years of schooling (x-axis), the slope of the regression line indicates

|  |  |
| --- | --- |
| A.  | the average wage. |

|  |  |
| --- | --- |
| B.  | the average logged wage. |

|  |  |
| --- | --- |
| C.  | the average years of schooling. |

|  |  |
| --- | --- |
| D.  | the economic return to each additional year of schooling measured in dollars. |

|  |  |
| --- | --- |
| E.  | the economic return to each additional year of schooling measured in percentage terms. |

 |

Chapter 01 Introduction to Labor Economics Answer Key

**Multiple Choice Questions**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 1. | Which is not a decision made by potential workers in the United States?

|  |  |
| --- | --- |
| A.  | Deciding whether or not to participate in the labor force.  |

|  |  |
| --- | --- |
| B.  | Determining how to divide one's time between work and leisure.  |

|  |  |
| --- | --- |
| **C.**  | Choosing how much to produce to maximize firm profit.  |

|  |  |
| --- | --- |
| D.  | Choosing how much education to receive.  |

|  |  |
| --- | --- |
| E.  | Deciding which occupation to pursue.  |

 |

|  |
| --- |
| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 01 EasyTopic: The Actors in the Labor Market* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 2. | Which of the following is not a leading actor in labor markets?

|  |  |
| --- | --- |
| **A.**  | Consumers |

|  |  |
| --- | --- |
| B.  | Firms |

|  |  |
| --- | --- |
| C.  | Workers |

|  |  |
| --- | --- |
| D.  | Government |

|  |  |
| --- | --- |
| E.  | Unions |

 |

|  |
| --- |
| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 01 EasyTopic: The Actors in the Labor Market* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 3. | The labor demand curve shows how many workers the firm is willing to hire

|  |  |
| --- | --- |
| A.  | at any particular time. |

|  |  |
| --- | --- |
| B.  | at a particular amount of labor supplied. |

|  |  |
| --- | --- |
| **C.**  | at any given wage. |

|  |  |
| --- | --- |
| D.  | into high-skill jobs. |

|  |  |
| --- | --- |
| E.  | when demand for the firm's output is low. |

 |

|  |
| --- |
| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 01 EasyTopic: The Actors in the Labor Market* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 4. | An outward shift in the labor demand curve implies that.

|  |  |
| --- | --- |
| **A.**  | employers are now looking to hire more workers at any given wage. |

|  |  |
| --- | --- |
| B.  | employers are now looking to hire more workers if the wage increases. |

|  |  |
| --- | --- |
| C.  | employers are now looking to hire fewer workers regardless of the wage. |

|  |  |
| --- | --- |
| D.  | demand for the firm's output likely fell. |

|  |  |
| --- | --- |
| E.  | a greater number of workers are now more willing to work at any given wage. |

 |

|  |
| --- |
| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 01 EasyTopic: The Actors in the Labor Market* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 5. | The labor supply curve shows how many workers are willing to work

|  |  |
| --- | --- |
| A.  | in a particular industry. |

|  |  |
| --- | --- |
| B.  | at any given time. |

|  |  |
| --- | --- |
| C.  | at the minimum wage. |

|  |  |
| --- | --- |
| **D.**  | at any given wage. |

|  |  |
| --- | --- |
| E.  | in order to maximize the firm's profit. |

 |

|  |
| --- |
| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 01 EasyTopic: The Actors in the Labor Market* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 6. | An upward-sloping labor supply curve implies that

|  |  |
| --- | --- |
| A.  | a firm can always hire more workers, even without increasing the wage. |

|  |  |
| --- | --- |
| B.  | more workers are willing to work when wages are low. |

|  |  |
| --- | --- |
| **C.**  | more workers are willing to work as the market wage increases. |

|  |  |
| --- | --- |
| D.  | labor supplied is fixed. |

|  |  |
| --- | --- |
| E.  | there is a continuously increasing demand for labor. |

 |

|  |
| --- |
| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 01 EasyTopic: The Actors in the Labor Market* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 7. | Labor economics concerns

|  |  |
| --- | --- |
| A.  | how labor markets work. |

|  |  |
| --- | --- |
| B.  | the study of education decisions. |

|  |  |
| --- | --- |
| C.  | the study of how households decide where to live. |

|  |  |
| --- | --- |
| D.  | the study of income inequality. |

|  |  |
| --- | --- |
| **E.**  | All of these are labor economics concerns. |

 |

|  |
| --- |
| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 01 EasyTopic: The Actors in the Labor Market* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 8. | A firm's labor demand curve is typically

|  |  |
| --- | --- |
| A.  | a vertical line. |

|  |  |
| --- | --- |
| B.  | a horizontal line. |

|  |  |
| --- | --- |
| C.  | upward-sloping. |

|  |  |
| --- | --- |
| **D.**  | downward-sloping. |

|  |  |
| --- | --- |
| E.  | associated with a slope equal in absolute value to the slope of the labor supply curve. |

 |

|  |
| --- |
| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 01 EasyTopic: The Actors in the Labor Market* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 9. | The typical labor supply curve

|  |  |
| --- | --- |
| A.  | is u-shaped. |

|  |  |
| --- | --- |
| B.  | equals the marginal product of labor. |

|  |  |
| --- | --- |
| **C.**  | slopes up. |

|  |  |
| --- | --- |
| D.  | slopes down. |

|  |  |
| --- | --- |
| E.  | depends on the size of the firm. |

 |

|  |
| --- |
| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 01 EasyTopic: The Actors in the Labor Market* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 10. | Which of the following affects the wage a firm is willing to pay its workers?

|  |  |
| --- | --- |
| A.  | The productivity of workers. |

|  |  |
| --- | --- |
| B.  | Consumer demand for the goods and/or services that the firm creates. |

|  |  |
| --- | --- |
| C.  | The amount of fringe benefits the firm is required by law to pay. |

|  |  |
| --- | --- |
| D.  | The level of payroll taxes the firm must pay. |

|  |  |
| --- | --- |
| **E.**  | All of the above affect the wage a firm is willing to pay its workers. |

 |

|  |
| --- |
| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 01 EasyTopic: The Actors in the Labor Market* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 11. | Which of the following affects a person's decision to work?

|  |  |
| --- | --- |
| A.  | The price of consumption goods relative to the wage. |

|  |  |
| --- | --- |
| B.  | The person's income from non-labor sources. |

|  |  |
| --- | --- |
| C.  | How much the person enjoys working. |

|  |  |
| --- | --- |
| D.  | The amount of fringe benefits offered to the person. |

|  |  |
| --- | --- |
| **E.**  | All of the above affect a person's decision to work. |

 |

|  |
| --- |
| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 01 EasyTopic: The Actors in the Labor Market* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 12. | Labor market equilibrium is best characterized by:

|  |  |
| --- | --- |
| A.  | A wage at which all people have a job. |

|  |  |
| --- | --- |
| B.  | A wage at which all workers are above the poverty level. |

|  |  |
| --- | --- |
| **C.**  | A wage at which the number of people willing to work equals the number of workers firms are willing to hire. |

|  |  |
| --- | --- |
| D.  | A minimum wage at which everyone is willing to work. |

|  |  |
| --- | --- |
| E.  | All workers receiving their ideal wage. |

 |

|  |
| --- |
| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandDifficulty: 02 MediumTopic: The Actors in the Labor Market* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 13. | Labor economists sometimes refer to labor demand as “derived” demand. In this context, where does “derived” come from?

|  |  |
| --- | --- |
| A.  | The firm’s production function. |

|  |  |
| --- | --- |
| B.  | The union’s willingness to accept a lower wage. |

|  |  |
| --- | --- |
| **C.**  | Consumer demand for the firm’s product. |

|  |  |
| --- | --- |
| D.  | The firm’s profit. |

|  |  |
| --- | --- |
| E.  | The degree of competition in the firm’s industry. |

 |

|  |
| --- |
| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandDifficulty: 02 MediumTopic: The Actors in the Labor Market* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 14. | The government is a player in the U.S. labor market in part because the government

|  |  |
| --- | --- |
| A.  | determines who can go to college. |

|  |  |
| --- | --- |
| B.  | assigns potential workers to particular industries. |

|  |  |
| --- | --- |
| **C.**  | sets workplace worker safety regulations. |

|  |  |
| --- | --- |
| D.  | suggests a minimum wage for firms to pay. |

|  |  |
| --- | --- |
| E.  | funds employer-based health insurance benefits. |

 |

|  |
| --- |
| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandDifficulty: 02 MediumTopic: The Actors in the Labor Market* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 15. | A firm's demand for labor is derived in part from

|  |  |
| --- | --- |
| A.  | worker preferences for jobs. |

|  |  |
| --- | --- |
| **B.**  | consumer demand for the firm's product. |

|  |  |
| --- | --- |
| C.  | the level of monthly union dues. |

|  |  |
| --- | --- |
| D.  | the firm's sunk costs. |

|  |  |
| --- | --- |
| E.  | the value of the firm's stock price. |

 |

|  |
| --- |
| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandDifficulty: 02 MediumTopic: The Actors in the Labor Market* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 16. | The market for economists in Greenland has recently experienced an increase in the number of economists employed and an increase in the wage of economists. What could explain such a change?

|  |  |
| --- | --- |
| **A.**  | The demand for economists recently increased while the supply of economists remained unchanged. |

|  |  |
| --- | --- |
| B.  | The demand for economists recently decreased while the supply of economists remained unchanged. |

|  |  |
| --- | --- |
| C.  | The demand for economists remained unchanged while the supply of economists increased. |

|  |  |
| --- | --- |
| D.  | The demand for economists remained unchanged while the supply of economists decreased. |

|  |  |
| --- | --- |
| E.  | The demand for economists recently decreased while the supply of economists recently increased. |

 |

|  |
| --- |
| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandDifficulty: 02 MediumTopic: The Actors in the Labor Market* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 17. | Suppose labor supply can be described as *E*S = 0.1*w* - 1,000 where *w* is yearly salary. How many workers are willing to work when the yearly salary is $20,000?

|  |  |
| --- | --- |
| A.  | 100 |

|  |  |
| --- | --- |
| B.  | 200 |

|  |  |
| --- | --- |
| C.  | 500 |

|  |  |
| --- | --- |
| **D.**  | 1,000 |

|  |  |
| --- | --- |
| E.  | 2,000 |

 |

|  |
| --- |
| *AACSB: Analytical ThinkingAccessibility: Keyboard NavigationBlooms: ApplyDifficulty: 03 HardTopic: The Actors in the Labor Market* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 18. | Suppose labor supply can be described as *E*S = 0.1*w* - 1,000 where *w* is yearly salary. What yearly salary must be paid to encourage 6,000 workers to accept jobs?

|  |  |
| --- | --- |
| A.  | $30,000 |

|  |  |
| --- | --- |
| B.  | $40,000 |

|  |  |
| --- | --- |
| C.  | $50,000 |

|  |  |
| --- | --- |
| D.  | $60,000 |

|  |  |
| --- | --- |
| **E.**  | $70,000 |

 |

|  |
| --- |
| *AACSB: Analytical ThinkingAccessibility: Keyboard NavigationBlooms: ApplyDifficulty: 03 HardTopic: The Actors in the Labor Market* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 19. | What is likely to happen to the demand for firemen as building codes change to require firewalls and sprinklers to be included in all new construction?

|  |  |
| --- | --- |
| **A.**  | The demand for firemen will fall as the demand for fire protection services falls. |

|  |  |
| --- | --- |
| B.  | The demand for firemen will increase as the supply of firemen falls when old buildings are replaced with newer buildings. |

|  |  |
| --- | --- |
| C.  | The demand for firemen will remain unchanged as firemen don't build new construction. |

|  |  |
| --- | --- |
| D.  | The demand for firemen will increase as long as wages paid to workers on new construction projects exceed the minimum wage. |

|  |  |
| --- | --- |
| E.  | The demand for firemen will decrease as long as the property tax-base increases when the new construction projects are completed. |

 |

|  |
| --- |
| *AACSB: Analytical ThinkingAccessibility: Keyboard NavigationBlooms: ApplyDifficulty: 03 HardTopic: The Actors in the Labor Market* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 20. | Suppose labor demand can be described as *E*D = 120,000 − 1.5*w*, where *w* is yearly salary. How many more workers are demanded at a going wage of $60,000?

|  |  |
| --- | --- |
| A.  | $20,000 |

|  |  |
| --- | --- |
| **B.**  | $30,000 |

|  |  |
| --- | --- |
| C.  | $40,000 |

|  |  |
| --- | --- |
| D.  | $50,000 |

|  |  |
| --- | --- |
| E.  | $60,000 |

 |

|  |
| --- |
| *AACSB: Analytical ThinkingAccessibility: Keyboard NavigationBlooms: ApplyDifficulty: 03 HardTopic: The Actors in the Labor Market* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 21. | What is likely to happen to the supply of firemen as building codes change to require firewalls and sprinklers to be included in all new construction?

|  |  |
| --- | --- |
| A.  | The supply of firemen will fall because there will be fewer fires. |

|  |  |
| --- | --- |
| B.  | The supply of firemen will increase because there will be fewer fires. |

|  |  |
| --- | --- |
| **C.**  | The supply of firemen will remain unchanged because the supply curve relates the number of fire fighters to the wage, not to the number of fires. |

|  |  |
| --- | --- |
| D.  | The supply of firemen will increase as long as wages paid to workers on new construction projects is also increasing. |

|  |  |
| --- | --- |
| E.  | The supply of firemen will decrease as long as the property tax-base increases when the new construction projects are completed. |

 |

|  |
| --- |
| *AACSB: Analytical ThinkingAccessibility: Keyboard NavigationBlooms: ApplyDifficulty: 03 HardTopic: The Actors in the Labor Market* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 22. | What is likely to happen to the labor market equilibrium for firemen as building codes change to require firewalls and sprinklers to be included in all new construction?

|  |  |
| --- | --- |
| A.  | The number of firemen employed will increase while firemen wages will decrease. |

|  |  |
| --- | --- |
| **B.**  | The number of firemen employed will decrease while firemen wages will decrease. |

|  |  |
| --- | --- |
| C.  | The number of firemen employed will increase while firemen wages will increase. |

|  |  |
| --- | --- |
| D.  | The number of firemen employed will decrease while firemen wages will increase. |

|  |  |
| --- | --- |
| E.  | The number of firemen employed will remain the same while firemen wages will increase. |

 |

|  |
| --- |
| *AACSB: Analytical ThinkingAccessibility: Keyboard NavigationBlooms: ApplyDifficulty: 03 HardTopic: The Actors in the Labor Market* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 23. | When forming theories, economists must be careful to

|  |  |
| --- | --- |
| A.  | include all known facts and details. |

|  |  |
| --- | --- |
| B.  | omit crucial factors. |

|  |  |
| --- | --- |
| **C.**  | mirror the real world as realistically but as simply as possible. |

|  |  |
| --- | --- |
| D.  | consider historical behavior and policies. |

|  |  |
| --- | --- |
| E.  | limit the analysis to two variables. |

 |

|  |
| --- |
| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 01 EasyTopic: Why Do We Need a Theory?* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 24. | What type of questions can be answered with economic tools without interjecting any value judgment as to whether the particular outcome is desirable or harmful?

|  |  |
| --- | --- |
| A.  | Normative questions. |

|  |  |
| --- | --- |
| **B.**  | Positive questions. |

|  |  |
| --- | --- |
| C.  | Labor questions. |

|  |  |
| --- | --- |
| D.  | Econometric questions. |

|  |  |
| --- | --- |
| E.  | Public policy questions. |

 |

|  |
| --- |
| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 01 EasyTopic: Why Do We Need a Theory?* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 25. | What type of questions cannot be answered with theory or facts alone?

|  |  |
| --- | --- |
| **A.**  | Normative questions. |

|  |  |
| --- | --- |
| B.  | Positive questions. |

|  |  |
| --- | --- |
| C.  | Factual questions. |

|  |  |
| --- | --- |
| D.  | Empirical questions. |

|  |  |
| --- | --- |
| E.  | Econometric questions. |

 |

|  |
| --- |
| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 01 EasyTopic: Why Do We Need a Theory?* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 26. | Which of the following is a positive (rather than a normative) question?

|  |  |
| --- | --- |
| **A.**  | What effect does increasing welfare assistance by 20% have on female labor supply? |

|  |  |
| --- | --- |
| B.  | Should the U.S. allow unlimited immigration? |

|  |  |
| --- | --- |
| C.  | Should the "Highly Qualified Teacher" provision of No Child Left Behind be eliminated? |

|  |  |
| --- | --- |
| D.  | Should there be a minimum wage? |

|  |  |
| --- | --- |
| E.  | Should trade unions be allowed to lobby Congress? |

 |

|  |
| --- |
| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 01 EasyTopic: Why Do We Need a Theory?* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 27. | Which of the following is a normative (rather than a positive) statement?

|  |  |
| --- | --- |
| A.  | The (nominal) minimum wage is $7.25 per hour. |

|  |  |
| --- | --- |
| **B.**  | Public education should be funded primarily at the state level. |

|  |  |
| --- | --- |
| C.  | The federal debt exceeds $8 trillion. |

|  |  |
| --- | --- |
| D.  | At its peak, unemployment exceeded 10% during the 2007 recession. |

|  |  |
| --- | --- |
| E.  | The average wage of high-school dropouts has fallen by 20% since 1970. |

 |

|  |
| --- |
| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 01 EasyTopic: Why Do We Need a Theory?* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 28. | Any economic model should be judged primarily on:

|  |  |
| --- | --- |
| A.  | How realistic its assumptions are. |

|  |  |
| --- | --- |
| **B.**  | How accurately its predictions match observed behavior. |

|  |  |
| --- | --- |
| C.  | How easy the model is to use. |

|  |  |
| --- | --- |
| D.  | How many aspects of real-world behavior and choices are incorporated in the model. |

|  |  |
| --- | --- |
| E.  | How original the model is compared to other models. |

 |

|  |
| --- |
| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 01 EasyTopic: Why Do We Need a Theory?* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 29. | In an econometric model, the dependent variable is

|  |  |
| --- | --- |
| **A.**  | the behavior one is trying to explain. |

|  |  |
| --- | --- |
| B.  | unchanging across sub-samples. |

|  |  |
| --- | --- |
| C.  | always the wage. |

|  |  |
| --- | --- |
| D.  | also known as the residual. |

|  |  |
| --- | --- |
| E.  | unrelated to the independent variables. |

 |

|  |
| --- |
| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 01 EasyTopic: Why Do We Need a Theory?* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 30. | When plotting log wages (y-axis) against years of schooling (x-axis), the slope of the regression line indicates

|  |  |
| --- | --- |
| A.  | the average wage. |

|  |  |
| --- | --- |
| B.  | the average logged wage. |

|  |  |
| --- | --- |
| C.  | the average years of schooling. |

|  |  |
| --- | --- |
| D.  | the economic return to each additional year of schooling measured in dollars. |

|  |  |
| --- | --- |
| **E.**  | the economic return to each additional year of schooling measured in percentage terms. |

 |

|  |
| --- |
| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandDifficulty: 02 MediumTopic: Why Do We Need a Theory?* |