Instructions:

This is the on-line Multiple Choice Quiz for Chapter 7. Please do the following:

Step 1: Go to the special codes section on your score sheet

- Write your section number (1, or 4, or 5) under the letter K. Also fill out the appropriate bubble corresponding to your section number in column K.
- Go to the columns O and P. Enter for this chapter, 0 in the O column, and 7 in the P column. Also fill out the appropriate bubbles below in columns O and P.

Step 2: Enter your university identification number, using numbers and corresponding bubbles.

Step 3: Enter your name, using letters and corresponding bubbles.

Step 4: Answer all 35 questions.

Step 5: Check the important dates link on the class home page for the availability and closing dates for the successive on-line multiple choice quizzes.

Step 6: Hand in your score sheets in class, to your TA’s or to myself, in class, or outside my office, Heady Hall 281, no later than the posted closing date and hour (5 p.m.)

We will use the following grading scale:

A = 35, 34, 33, 32, 31, 30
B = 29, 28, 27, 26, 25, 24
C = 23, 22, 21, 20, 19, 18
D = 17, 16, 15, 14, 13, 12
F = less than 12

Note: All MC quizzes will be discussed in detail in class for each section (1, 4, or 5) prior to the posted Friday 5 p.m. closing date and hour. Bring your printed test and score sheet to that class session for that purpose.
MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

1) Because the leisure–real GDP production possibilities frontier is bowed outward, then
A) each additional unit of real GDP costs a decreasing amount of forgone leisure.
B) the slope of the economy's production function decreases as real GDP increases.
C) as more real GDP is produced, increasingly more productive labor is being used.
D) the marginal product of labor is increasing as real GDP increases.

2) Moving along the production function shows the relationship between ________, holding all else constant.
A) capital input and real GDP
B) labor input, capital input, and real GDP
C) labor input and real GDP
D) technology and real GDP

3) The production function shows that an economy increases its real GDP in the short run by
A) exploring for new deposits of natural resources.
B) increasing its physical capital stock.
C) developing new technologies.
D) using more labor.

4) An increase in labor hours will lead to
A) a movement along the production function but no shift in it.
B) neither a movement along nor a shift in the production function.
C) both a movement along and a shift in the production function.
D) a shift of the production function but no movement along it.

5) ________ is the skills and knowledge that people gain from education.
A) Labor productivity    B) Labor input    C) Physical capital    D) Human capital

6) Becky has a part-time job at Wendy's after school. When she started Becky could cook only 20 hamburgers per hour; but after the first month of work she was able to cook 30 hamburgers per hour. The most likely explanation for her increased productivity is
A) the law of increasing returns.
B) technological change.
C) learning—by—doing.
D) efficiency wages.

7) Over the past 30 years, the U.S. production function has shifted ________ and labor productivity has ________.
A) upward; decreased
B) downward; increased
C) upward; increased
D) downward; decreased

8) U.S. labor productivity
A) is unpredictable.
B) is unaffected by the amount of capital used.
C) increases an average of about 50 percent per year.
D) increases an average of almost 2 percent per year.
9) The money wage rate measures the
   A) number of dollars earned by an hour of labor.
   B) constant dollar level of real disposable income.
   C) quantity of goods and services that can be bought with an hour of labor.
   D) 1996 dollar value of a unit of labor supplied by a worker.

10) The real wage rate equals
    A) (100) x (money wage rate)/(price level).
    B) (money wage rate) x (price level).
    C) (100) x (price level)/(money wage rate).
    D) (money wage) + (number of hours worked)/(price level).

11) If the real wage rate is $25.00 per hour and the price level is 115, the money wage rate is
    A) $23.00 per hour.    B) $28.75 per hour.    C) $21.75 per hour.    D) $26.15 per hour.

12) The real wage rate rises if the money wage rate
    A) rises more slowly than the price level.
    B) rises more rapidly than the price level.
    C) and the price level change by the same proportion.
    D) rises and the price level rises by the same percentage.

13) If the price level falls by 5 percent and workers' money wage rates remain constant, firms' 
    A) quantity of labor demanded will increase. 
    B) quantity of labor demanded will decrease. 
    C) supply of jobs will increase. 
    D) None of the above answers are correct.

14) The relationship between the labor employed by a firm and the real wage rate is shown by the
    A) supply of jobs curve. 
    B) supply of labor curve. 
    C) demand for jobs curve. 
    D) demand for labor curve.

15) The demand for labor curve
    A) is vertical.  B) slopes upward.  C) slopes downward.  D) is horizontal.

16) The marginal product of labor is diminishing because as labor hours
    A) decrease, output falls very little. 
    B) increase, output increases. 
    C) decrease, capital will decrease. 
    D) increase, capital and technology are fixed.

17) The marginal product of labor curve shows a _______ relationship between ________.
    A) negative; the marginal product of labor and capital
    B) negative; the marginal product of labor and the quantity of labor
    C) positive; the marginal product of labor and the quantity of labor
    D) positive; the marginal product of labor and capital

18) The supply of labor curve
    A) slopes upward.  B) is vertical.  C) slopes downward.  D) is horizontal.
19) Which of the following statements is correct?
   A) When the real wage decreases, the labor supply curve shifts leftward.
   B) When the real wage increases, the labor supply curve shifts rightward.
   C) When the real wage increases, the labor supply curve shifts leftward.
   D) None of the above statements are correct.

20) Which statement concerning the labor supply curve is correct?
   A) For most individuals, a higher real wage rate leads to a decrease in the quantity of labor supplied.
   B) The quantity of labor supplied responds strongly to changes in the money wage rate.
   C) Labor force participation decreases when the real wage rate rises.
   D) A small percentage change in the real wage rate brings a small percentage change in the quantity of labor supplied.

21) If at the prevailing real wage rate, the quantity of labor supplied exceeds the quantity demanded,
   A) there is a shortage of labor.
   B) the real wage rate is greater than the equilibrium real wage rate.
   C) the real wage rate will rise to restore equilibrium.
   D) None of the above answers is correct.

22) In the above figure, if the real wage is $10 per hour, a labor
   A) surplus will occur and the real wage will rise.
   B) shortage will occur and the real wage will rise.
   C) surplus will occur and the real wage will fall.
   D) shortage will occur and the real wage will fall.

23) The real wage rate will fall if the
   A) labor supply curve shifts leftward and the labor demand curve does not shift.
   B) labor demand curve shifts rightward more than the labor supply curve shifts rightward.
   C) labor demand curve shifts rightward and the labor supply curve does not shift.
   D) labor supply curve shifts rightward and the labor demand curve does not shift.
24) An increase in the population and hence the supply of labor causes a
A) shortage of labor at the original real wage rate, and the real wage rate will fall.
B) surplus of labor at the original real wage rate, and the real wage rate will rise.
C) shortage of labor at the original real wage rate, and the real wage rate will rise.
D) surplus of labor at the original real wage rate, and the real wage rate will fall.

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25) In the above figure, an increase in the population that shifts the supply of labor curve from $L_S_0$ to $L_S_1$ means that for labor market equilibrium to occur, the
A) real wage rate must fall because, at the original equilibrium real wage rate, there is now a shortage of labor.
B) real wage rate must rise because, at the original equilibrium real wage rate, there is now a shortage of labor.
C) real wage rate must fall because, at the original equilibrium real wage rate, there is now a surplus of labor.
D) real wage rate must rise because, at the original equilibrium real wage rate, there is now a surplus of labor.

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26) An increase in physical capital or a technological advance
A) raises the real wage rate.  B) decreases demand for labor.
C) shifts the production function downward.  D) decreases the quantity of labor employed.

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27) All of the following contribute to raising real wages over time EXCEPT
A) technological progress.  B) human capital accumulation
C) physical capital accumulation.  D) rising labor force participation.
28) In the United States, which of the following occurred between 1981 and 2001?
   A) The effects on the supply of labor from the increase in population were greater than the effects on the demand for labor from capital accumulation and technological change.
   B) Capital accumulation and technological change both increased the productivity of labor and the demand for labor increased.
   C) The real wage rate decreased because the increase in the demand for labor was less than the increase in the supply of labor.
   D) Technological change decreased the demand for labor.

29) An important factor changing the U.S. natural rate of unemployment has been
   A) demographic change.
   B) changes in the population's work ethic.
   C) changes in the money wage.
   D) changes in labor productivity.

30) Which of the following would decrease the unemployment rate?
   A) an increase in the minimum wage
   B) a decrease in the efficiency wages firms pay
   C) an increase in unemployment compensation
   D) an increase in the efficiency wages firms pay

31) Which of the following is NOT a benefit from paying a high efficiency wage?
   A) Motivating greater productivity from workers.
   B) Increasing turnover rates of workers.
   C) Attracting higher quality workers.
   D) None of the above because all the answers are benefits from a high efficiency wage.

32) In the above figure, if the efficiency wage is $20 per hour,
   A) increasing the efficiency wage would decrease unemployment.
   B) decreasing the efficiency wage would decrease unemployment.
   C) reducing the efficiency wage would have no impact on unemployment.
   D) decreasing the efficiency wage would increase unemployment.
33) A rise in the real wage rate
   A) shifts the labor supply curve leftward.
   B) shifts the labor demand curve rightward.
   C) shifts the labor demand curve leftward.
   D) does not shift the labor demand or labor supply curve.

34) If both the demand for and the supply of labor increase but the demand for labor increases faster, over time the real wage rate ____ and employment ____.
   A) falls; decreases          B) rises; increases          C) falls; increases          D) rises; decreases

35) One possible factor leading to unemployment is that
   A) both the minimum wage and efficiency wages are below the equilibrium wage rate.
   B) the minimum wage is below the equilibrium wage rate and efficiency wages are above the equilibrium wage rate.
   C) the minimum wage is above the equilibrium wage rate and efficiency wages are below the equilibrium wage rate.
   D) both the minimum wage and efficiency wages are above the equilibrium wage rate.