

Chapter 02 Labor Supply

Student: _____

1. Who is not counted in the U.S. labor force?
 - A.
 - B.
 - C.
 - D.
 - E.
2. Which of the following is not a property of standard indifference curves in a leisure-consumption model?
 - A.
 - B.
 - C.
 - D.
 - E.
3. Of the 500,000 people (age 16+) in a particular country, 300,000 people are in the labor force. Of these, 240,000 are employed and 60,000 are unemployed. What is the labor force participation rate?
 - A.
 - B.
 - C.
 - D.
 - E.
4. Of the 500,000 people (age 16+) in a particular country, 300,000 people are in the labor force. Of these, 240,000 are employed and 60,000 are unemployed. What is the unemployment rate?
 - A.
 - B.
 - C.
 - D.
 - E.

5. Of the 500,000 people (age 16+) in a particular country, 300,000 people are in the labor force. Of these, 240,000 are employed and 60,000 are unemployed. Of the 200,000 workers not in the labor force, 20,000 want jobs but have given up looking for one. What is the unemployment rate if discouraged workers are counted as being unemployed?
- A.
B.
C.
D.
E.
6. Assuming consumption and leisure are normal goods, hours worked will fall when the wage increases if
- A.
B.
C.
D.
E.
7. An increase in non-labor income while holding the wage rate constant
- A.
B.
C.
D.
E.
8. According to the substitution effect, in response to an increase in her wage a person will
- A.
B.
C.
D.
E.

9. What would a person do if the market wage is less than his or her reservation wage?
- A.
 - B.
 - C.
 - D.
 - E.
10. Which of the following statements did not reflect the U.S. labor market in the early 2000s?
- A.
 - B.
 - C.
 - D.
 - E.
11. What is the budget line for consumption (C) and leisure (L) if a person faces a constant wage of \$10 per hour, there are 168 hours in the week to work, and she receives non-labor income of \$220 per week?
- A.
 - B.
 - C.
 - D.
 - E.
12. All of the following represent an increase in non-labor income except for:
- A.
 - B.
 - C.
 - D.
 - E.

13. According to the income effect, an increase in the wage rate will lead the worker to
- A.
 - B.
 - C.
 - D.
 - E.
14. Prior to an expanded child care subsidy program in Illinois, the labor force participation rate of single mothers in Illinois was 45% and in Wisconsin was 48%. After Illinois expanded its child care subsidy program, the participation rate increased to 58% in Illinois and to 51% in Wisconsin. The expanded child care program in Illinois is estimated to increase labor force participation of single mothers by how much according to a difference-in-differences estimator?
- A.
 - B.
 - C.
 - D.
 - E.
15. The Earned Income Tax Credit is a federal program that
- A.
 - B.
 - C.
 - D.
 - E.
16. The single most important phenomenon in the U.S. labor market in the second half of the 20th century was
- A.
 - B.
 - C.
 - D.
 - E.

17. When the tax rate on wages falls (so that the take-home wage or effective wage increases), the budget line
- A.
 - B.
 - C.
 - D.
 - E.
18. When the wage was \$10 per hour, a group of workers supplied 30 hours of work per week on average. The wage then increased to \$12 per hour, and the same group of workers supplied 33 hours of work per week on average. What is the elasticity of labor supply for this group of workers?
- A.
 - B.
 - C.
 - D.
 - E.
19. What is the added worker effect?
- A.
 - B.
 - C.
 - D.
 - E.
20. Due to the discouraged worker effect, the labor force participation rate
- A.
 - B.
 - C.
 - D.
 - E.

21. How does the presence of an underground labor market bias the government's calculation of the labor force participation rate?
- A.
 - B.
 - C.
 - D.
 - E.
22. According to the added worker effect, what happens during a recession?
- A.
 - B.
 - C.
 - D.
 - E.
23. How does the labor force participation rate of women compare to that of men?
- A.
 - B.
 - C.
 - D.
 - E.
24. The intertemporal substitution hypothesis suggests that hours of work should
- A.
 - B.
 - C.
 - D.
 - E.

25. Which one of the following conclusions is not supported by the intertemporal substitution hypothesis?
- A.
 - B.
 - C.
 - D.
 - E.
26. Fertility in the U.S. declined in the last 100 years primarily because
- A.
 - B.
 - C.
 - D.
 - E.
27. According to the substitution effect, an increase in the wage rate will lead the worker to
- A.
 - B.
 - C.
 - D.
 - E.
28. Why might it be wrong to include self-proclaimed discouraged workers in calculations of the unemployment rate?
- A.
 - B.
 - C.
 - D.
 - E.

29. Due to the added worker effect, the labor force participation rate

- A.
- B.
- C.
- D.
- E.

30. The reservation wage likely increases when

- A.
- B.
- C.
- D.
- E.

Chapter 02 Labor Supply **Key**

1. Who is not counted in the U.S. labor force?

- A.
- B.**
- C.
- D.
- E.

Borjas - Chapter 02 #1

2. Which of the following is not a property of standard indifference curves in a leisure-consumption model?

- A.
- B.
- C.
- D.
- E.**

Borjas - Chapter 02 #2

3. Of the 500,000 people (age 16+) in a particular country, 300,000 people are in the labor force. Of these, 240,000 are employed and 60,000 are unemployed. What is the labor force participation rate?

- A.
- B.
- C.
- D.**
- E.

Borjas - Chapter 02 #3

4.

Of the 500,000 people (age 16+) in a particular country, 300,000 people are in the labor force. Of these, 240,000 are employed and 60,000 are unemployed. What is the unemployment rate?

- A.
- B.**
- C.
- D.
- E.

Borjas - Chapter 02 #4

5.

Of the 500,000 people (age 16+) in a particular country, 300,000 people are in the labor force. Of these, 240,000 are employed and 60,000 are unemployed. Of the 200,000 workers not in the labor force, 20,000 want jobs but have given up looking for one. What is the unemployment rate if discouraged workers are counted as being unemployed?

- A.
- B.
- C.**
- D.
- E.

Borjas - Chapter 02 #5

6.

Assuming consumption and leisure are normal goods, hours worked will fall when the wage increases if

- A.**
- B.
- C.
- D.
- E.

Borjas - Chapter 02 #6

7. An increase in non-labor income while holding the wage rate constant
- A.
B.
C.
D.
E.
- Borjas - Chapter 02 #7*
8. According to the substitution effect, in response to an increase in her wage a person will
- A.
B.
C.
D.
E.
- Borjas - Chapter 02 #8*
9. What would a person do if the market wage is less than his or her reservation wage?
- A.
B.
C.
D.
E.
- Borjas - Chapter 02 #9*
10. Which of the following statements did not reflect the U.S. labor market in the early 2000s?
- A.
B.
C.
D.
E.
- Borjas - Chapter 02 #10*

11. What is the budget line for consumption (C) and leisure (L) if a person faces a constant wage of \$10 per hour, there are 168 hours in the week to work, and she receives non-labor income of \$220 per week?

- A.
- B.**
- C.
- D.
- E.

Borjas - Chapter 02 #11

12. All of the following represent an increase in non-labor income except for:

- A.**
- B.
- C.
- D.
- E.

Borjas - Chapter 02 #12

13. According to the income effect, an increase in the wage rate will lead the worker to

- A.
- B.**
- C.
- D.
- E.

Borjas - Chapter 02 #13

14. Prior to an expanded child care subsidy program in Illinois, the labor force participation rate of single mothers in Illinois was 45% and in Wisconsin was 48%. After Illinois expanded its child care subsidy program, the participation rate increased to 58% in Illinois and to 51% in Wisconsin. The expanded child care program in Illinois is estimated to increase labor force participation of single mothers by how much according to a difference-in-differences estimator?

- A.
- B.
- C.
- D.**
- E.

Borjas - Chapter 02 #14

15. The Earned Income Tax Credit is a federal program that

- A.
- B.
- C.
- D.**
- E.

Borjas - Chapter 02 #15

16. The single most important phenomenon in the U.S. labor market in the second half of the 20th century was

- A.
- B.**
- C.
- D.
- E.

Borjas - Chapter 02 #16

17. When the tax rate on wages falls (so that the take-home wage or effective wage increases), the budget line

- A.**
- B.
- C.
- D.
- E.

Borjas - Chapter 02 #17

18. When the wage was \$10 per hour, a group of workers supplied 30 hours of work per week on average. The wage then increased to \$12 per hour, and the same group of workers supplied 33 hours of work per week on average. What is the elasticity of labor supply for this group of workers?

- A.
- B.**
- C.
- D.
- E.

Borjas - Chapter 02 #18

19. What is the added worker effect?

- A.
- B.
- C.
- D.
- E.**

Borjas - Chapter 02 #19

20. Due to the discouraged worker effect, the labor force participation rate

- A.
- B.**
- C.
- D.
- E.

Borjas - Chapter 02 #20

21. How does the presence of an underground labor market bias the government's calculation of the labor force participation rate?

- A.**
- B.
- C.
- D.
- E.

Borjas - Chapter 02 #21

22. According to the added worker effect, what happens during a recession?

- A.
- B.
- C.
- D.**
- E.

Borjas - Chapter 02 #22

23. How does the labor force participation rate of women compare to that of men?

- A.
- B.
- C.**
- D.
- E.

Borjas - Chapter 02 #23

24. The intertemporal substitution hypothesis suggests that hours of work should

- A.**
- B.
- C.
- D.
- E.

Borjas - Chapter 02 #24

25. Which one of the following conclusions is not supported by the intertemporal substitution hypothesis?

- A.
- B.**
- C.
- D.
- E.

Borjas - Chapter 02 #25

26. Fertility in the U.S. declined in the last 100 years primarily because

- A.
- B.
- C.
- D.**
- E.

Borjas - Chapter 02 #26

27. According to the substitution effect, an increase in the wage rate will lead the worker to

- A.
- B.
- C.
- D.
- E.**

Borjas - Chapter 02 #27

28. Why might it be wrong to include self-proclaimed discouraged workers in calculations of the unemployment rate?

- A.
- B.**
- C.
- D.
- E.

Borjas - Chapter 02 #28

29. Due to the added worker effect, the labor force participation rate

- A.**
- B.
- C.
- D.
- E.

Borjas - Chapter 02 #29

30. The reservation wage likely increases when

- A.
- B.
- C.
- D.**
- E.

Borjas - Chapter 02 #30

Chapter 02 Labor Supply Summary