Multiple choice questions, please select the one BEST answer (40%)

1. ( ) Most poor people are poor because:
   a) they are lazy.  b) they are exploited.  c) their resources are not worth much in the productive processes.  d) they are old.  e) all of the above.

2. ( ) Rent controls:
   a) encourage landlords to improve the quality of rental units.  b) encourage landlords to remove from the market some rental units that might otherwise be available.  c) enable poor people in general to obtain more housing of a given quality at lower costs.  d) are necessary to control inflation.

3. ( ) The demand for workers by business firms:
   a) depends upon what workers can contribute to the revenue of the employers.  b) is not subject to the laws of demand.  c) is not responsive to wage rates.  d) is frequently too high—hence, inflation results.

The following two questions are based on the following diagram:

Wage rates (hourly rates)

\[
\begin{align*}
\text{Wage rates} & \quad \text{(hourly rates)} \\
$6.00 & \quad S \\
$4.00 & \quad D \\
$2.00 & \quad S
\end{align*}
\]

4. ( ) At \( q_0 \) workers are worth and will tend to be paid:
   a) $2 an hour.  b) $4 an hour.  c) $6 an hour.  d) None of the above.

5. ( ) At the wage rate, $2 an hour, competition among employees will tend to increase the wage rate to:
   a) $4 an hour.  b) $6 an hour.  c) something in between $4 and $6 an hour.  d) None of the above.

6. ( ) The minimum wage is an example of a:
   a) price floor.  b) price ceiling.  c) price roof.  d) price wall.  e) price basement.

7. ( ) Firms which coordinate their actions to maximize joint profits are said to have formed a(n):
   a) monopsony.  b) cartel.  c) product market.  d) oligopoly.  e) economic treaty.
The following three questions are based on the graph below:

8. ( ) This graph represents the labor market for a:
   a) monopolist.  b) competitive firm.  c) product market cartel.  d) monopsonist.

9. ( ) What wage will maximize this firm’s economic position?

10. ( ) How many workers will this firm hire?
    a) 0.  b) $L_1$.  c) $L_2$.  d) $L_3$.

11. ( ) The relatively high salaries paid to professional athletes reflect:
    a) their contribution to team revenue. b) the exploitation of fans.  c) their contribution to
    society’s general well-being.  d) the success of labor union representation.

12. ( ) In a monopsony, the difference between the marginal revenue product of labor and the wage
    rate is known as:
    a) joint profit.  b) monopsonistic profit.  c) monopsonistic cost.  d) cartel profit.  e) competitive returns.

13. ( ) Which of the following persons would be considered unemployed?
    a) A truck driver with a high school education who has been laid off his job and now seeks
    employment as a computer programmer.  b) An individual who is currently not working
    nor actively seeking employment.  c) An unemployed secretary who seeks employment
    where she would use her secretarial skills.  d) None of the above.

Use the following graph to answer Question 14 through 16.
14. ( ) At wage rate $W_1$, the quantity of labor demanded is:
   a) $e_1$.  b) $e_3$.  c) AB.  d) $e_2$.

15. ( ) The equilibrium wage rate and level of employment are:

16. ( ) At wage rate $W_3$, involuntary unemployment is:
   a) AB.  b) AC.  c) $e_2$.  d) both (b) and (e).

17. ( ) Which of the following is a component aggregate demand?
   a) Consumption.  b) Investment.  c) Government spending.  d) All of the above.

18. ( ) If output demanded is less than output supplied:
   a) unemployment occurs.  b) inflation occurs.  c) stagflation occurs.  d) all of the above.

19. ( ) The determinants of aggregate supply are:
   a) resources, prices and technology.  b) interest rates.  c) consumer wealth.  d) real income.

20. ( ) Assuming a marginal propensity to consume three-fourths of the investment multiplier is:
   a) 1.  b) 2.  c) 3.  d) none of the above.

**TRUE (T)/FALSE (F) QUESTIONS (60%)**  *NOTICE: Use T or F as your answer!!*

21. A problem arising from transferring income to the poor is that it may reduce their incentives to work.

22. The marginal revenue product of a worker is what a worker contributes to the total receipts of an employer.

23. Ordinarily, an increase in minimum wage rates, other things being equal, will have no adverse effect on the employment level.

24. An effective price ceiling will create economic incentives for producers to increase the supply of their products or services.

25. There is a strong relationship between rent control and homelessness.

26. The income effect creates an incentive for welfare recipients to increase their earnings through extra work effort.
27. Anti-trust laws make most cartels legal forms of business in the United States.
28. A monopsony is a single buyer in a resource market.
29. If a player’s MRP>MCL, the player should be hired by the team.
30. If a cartel’s marginal revenue is greater than its marginal cost, it should produce more.
31. Professional sports leagues are both cartels and monopsonies.
32. From an economic perspective all professional athletes are overpaid.
33. Structural unemployment results from the process of persons changing jobs.
34. The labor force includes all persons who are able and willing to work regardless of age.
35. Monetary and fiscal policy tools are more effective in combating cyclical unemployment than for combating frictional unemployment.
36. An increase in the supply of money tends to increase aggregate demand.
37. A change in aggregate demand means that the price level and output demanded are inversely related.
38. A rise in exports relative to imports will tend to increase national income.
39. Frictional unemployment is considered to be involuntary unemployment.
40. Full employment can be reached even though there may be frictional and structural unemployment existing.