Quiz on Labor-Demand Policies

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Available at https://pascalmichaillat.org/c1/

Question 1

The public-employment multiplier measures the change in employment when the government hires one extra worker in the public sector. Why is the public-employment multiplier always below 1?

A. Because an increase in public employment raises labor market tightness, which depresses private employment.

B. Because an increase in public employment raises wages, which depresses private employment.

C. Because an increase in public employment lowers labor market tightness, which depresses private employment.

D. Because workers employed in the public sector do not stay long on the job: there is high job separations.

E. The public-employment multiplier is not always below 1.

Question 2

Policies are often evaluated according to their bang-for-the-buck: the effect of 1 dollar of spending on employment or output. When will public employment have the largest bang-for-the-buck?

A. Public employment always leads to the employment of one public worker, so it always has the same bang-for-the-buck.

B. Unemployment is low in good times, so that is when public employment has the largest bang-for-the-buck.

C. The public-employment multiplier is largest in bad times, when unemployment is high, so that is when public employment has the largest bang-for-the-buck.

D. The public-employment multiplier is largest in good times, when unemployment is low, so that is when public employment has the largest bang-for-the-buck.

Question 3

What is the share of workers employed in the public sector in the United States?

A. Between 0% and 5%

B. Between 5% and 10%

C. Between 10% and 15%

D. Between 15% and 20%

E. Between 20% and 25%

F. Between 25% and 30%

G. None of the above

Question 4

How does the shape of the production function affect the public-employment multiplier?

A. It has no effect on the public-employment multiplier.

B. With a linear production function, the labor demand is horizontal so the public-employment multiplier is 1.

C. With a linear production function, the labor demand is horizontal so the public-employment multiplier is 0.

D. With a concave production function, the labor demand is downward-sloping so the public-employment multiplier is 0.

E. None of the above

Question 5

Consider the matching model of the labor market, and assume that all workers are paid at a minimum wage. Imagine that the goal of the government is to maintain unemployment at its efficient level. Under which circumstances should the government raise the minimum wage?

A. If the current unemployment rate is too low.

B. If the current unemployment rate is too high.

C. The government should never raise the minimum wage.

D. The government should always raise the minimum wage.

E. Changing the minimum wage is not a useful policy in this context.