

Homework 6

1. Michael Jordan's high wage was predominantly:
 - A) exploitation.
 - B) an economic rent.
 - C) a compensation for disutility.
 - D) a return on high human-capital investment.
 - E) none of the above.

2. Several reasons have been advanced to explain why wages paid in the United States are so high relative to the rest of the world. Which of the following is an accurate explanation?
 - A) U.S. workers are better educated.
 - B) U.S. workers have a larger stock of capital per worker.
 - C) U.S. workers use more modern technology.
 - D) All of the above.
 - E) None of the above.

3. Which of the following are elements that help define the supply of labor?
 - A) The size of the population.
 - B) Immigration.
 - C) The rate of labor-force participation.
 - D) The standard numbers of hours worked per week.
 - E) All of the above.

4. **A logically possible relationship between wages (W) and number of hours worked (L) is:**
 - A) **higher W causes L to increase if the "income effect" is greater than the "substitution effect."**
 - B) **higher W causes L to decrease if the "income effect" is less than the "substitution effect."**
 - C) **higher W causes L to increase if the "income effect" is less than the "substitution effect."**
 - D) **lower W causes L to increase if the "substitution effect" is greater than the "income effect."**
 - E) **none of the above.**

5. A perfectly competitive labor market is:
 - A) one in which there is a large number of workers and employers, none can affect the wage rates.
 - B) one in which there is a large number of workers and employers, most can affect

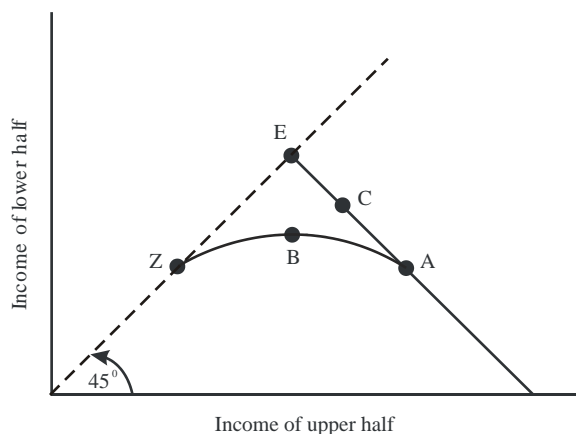
the wage rates.

- C) one in which there is a small number of workers and employers, one can affect the wage rates.
 - D) one in which there is a small number of workers and employers, all can affect the wage rates.
 - E) none of the above.
6. Which of the following are renewable resources?
- A) agricultural land
 - B) forests
 - C) solar energy
 - D) all of the above
 - E) none of the above.
7. How does pollution lead to economic inefficiency?
- A) damage is done to the factory, requires more maintenance.
 - B) external damage is done to the surrounding environment.
 - C) harming the air quality affects society.
 - D) all of the above.
 - E) none of the above.
8. Disposable personal income is:
- A) the total receipts or cash earned by a person or household during a given time period.
 - B) the personal income you have after taxes.
 - C) the total of all your assets for a given year.
 - D) the money you have before all your deductions.
 - E) none of the above.
9. The Lorenz curve plots the percentage of:
- A) income against the percentage of people.
 - B) individuals against the percentage of families.
 - C) income against the percentage of spending.
 - D) income against the number of years of education.
 - E) spending against the percentage of people.
10. Which of the following is a source of income inequality?
- A) Different occupations.
 - B) Different inheritances.
 - C) Differences in ability.
 - D) Differences in the willingness to work hard.
 - E) All of the above.

11. Compared to the distribution of income, the distribution of wealth is:
 - A) fixed.
 - B) more equal.
 - C) less equal.
 - D) very similar.
 - E) extremely volatile.
12. When the Lorenz curve more closely approximates the 45 degree line, income is being:
 - A) distributed more equally.
 - B) distributed more unequally.
 - C) enlarged for nearly every economic class.
 - D) taxed more heavily to pay international debts.
 - E) none of the above.

Use the following to answer questions 13-14:

Figure 17-1



13. In Figure 17-1, cost of redistribution is best represented by:
 - A) shortfall of A below E.
 - B) shortfall of ABZ below AE.
 - C) a regression from E back to A.
 - D) any and all of the above.
 - E) none of the above.
14. The point in Figure 17-1 that would be chosen as the social optimum by someone most concerned about efficiency is:
 - A) Z.
 - B) E.
 - C) C.

D) A.

E) B.

Questions for discussion P281

Q4

Questions for discussion P266

Q3

Questions for discussion P338

Q5