

LABOUR ECONOMICS - THEORY

ECONOMICS 2155B-001

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VERSION 444

Multiple Choice. 1 mark each. Nonprogrammable Calculators allowed. 2 Hours

1. Firms will pay the cost to train their workers
 - A. if the costs can be spread out over time.
 - B. if the training is specific to the firm.
 - C. if the worker promises not to leave the firm.
 - D. if the training increase the productivity of the worker at all firms
2. An increase in hiring costs will cause
 - A. firms to hire fewer workers and increase the number of hours.
 - B. firms to decrease the number of hours worked.
 - C. workers to pay for more education.
 - D. decrease the elasticity of the demand for labour

hiring cost 使 Firm hire ↓ worker
然后 ↑ h
3. If a monopsony firm is paying one group of workers more than another group of equally productive workers than
 - A. the supply curve of the higher paid group is less elastic
 - B. the marginal cost of the higher paid group is larger
 - C. the supply curve of the lower paid group is less elastic
 - D. the firm cannot be maximizing profits

lower 更 low

如果 monopsony 付一个组多于另一组 当 output 相同时
Supply. of pay 少 的组
↓ elastic
4. The higher the supply elasticity of capital
 - A. the less elastic is the demand for labour.
 - B. the more elastic the demand for output.
 - C. the more elastic the demand for labour.
 - D. the larger the scale effect of a wage change.

ε K ↑
ε DL ↓

Supply elasticity ↑ of K.
the less elastic DL.
5. The wage differential between two locations depends on
 - A. the skill differences between the two locations.
 - B. the marginal locational coefficient.
 - C. the marginal products of the individuals that move from one location to another.
 - D. the average productivity in the two locations

2 个 W ↑ 非 2 个 W ↓

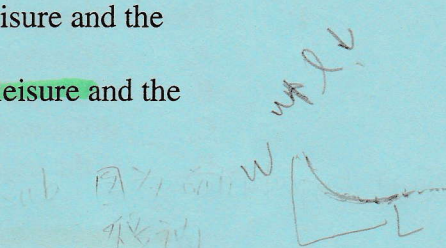
6. If there are relatively few low productivity type workers, a pooling equilibrium
- A. is preferred by high productivity workers.
 - B. is worse for low productivity workers than a screening equilibrium
 - C. is worse for high productivity workers than a screening equilibrium
 - D. pays the marginal product of the high productivity workers

7. If leisure is a normal good and the wage falls
- A. the substitution effect will induce the consumer to take more leisure and the income effect will induce the consumer to take more leisure.
 - B. the substitution effect will induce the consumer to take less leisure and the income effect will induce the consumer to take more leisure.
 - C. the substitution effect will induce the consumer to take less leisure and the income effect will induce the consumer to take less leisure.
 - D. the substitution effect will induce the consumer to take more leisure and the income effect will induce the consumer to take less leisure.

leisure normal $w \downarrow$
 sub \uparrow leisure
 inc \downarrow leisure

8. The substitution effect graphically is always denoted
- A. by movement along the original demand curve
 - B. by moving in the direction of the item that is becoming relatively cheaper.
 - C. by moving in the direction of the item that is becoming relatively more expensive.
 - D. by movement along the original supply curve

← cheaper
 移动



9. If a person is a participant and a wage increase results, in the worktime increasing, the wage rate resulted in
- A. an income effect only.
 - B. a dominant substitution effect.
 - C. a substitution effect only.
 - D. reinforcing income and substitution effects.

一个人 $w \uparrow$ $h \uparrow \Rightarrow$ Sub effect, $h \uparrow$
 $w \uparrow \Rightarrow$ Sub effect

10. An increase in an individual's non-labour income will
- A. cause a decrease in the reservation wage
 - B. cause a decrease in the reservation wage, if leisure is an inferior good
 - C. cause an increase in the reservation wage, the individual is a participant
 - D. cause an increase in the reservation wage, if leisure is a normal good

$\uparrow Y_n \Rightarrow \uparrow W^*$
 leisure is normal

11. At the utility maximizing level of leisure
- A. the price of time is irrelevant
 - B. the leisure time is maximized
 - C. the marginal rate of substitution equals the wage
 - D. the level of income is irrelevant

leisure 在 U 上最大
 leisure 最大时 $MRS = w$

12. The Isolabour Curve shows
- A. employment/hours combinations that maximizes profits.
 - B. employment/hours combinations that maximizes revenue.
 - C. employment/hours combinations that minimizes profits.
 - D. employment/hours combinations that hold labour input constant.

Isolabour Curve 代表 L/h 不变
 Labour input 不变

L input

13. In an employer discrimination model if there is constant returns to scale
- A. the wage differential will be large.
 - B. many firms will exist in equilibrium
 - C. wage differential will be zero.
 - D. marginal discrimination coefficient will be large.

- B 14. The demand for labour in the short run
- A. is made up of a scale effect only.
 - B. substitution effect and scale effects.
 - C. must be more elastic than in the long run.
 - D. Both A. and C.

15. If the Hicks Allen elasticity of substitution and the output demand elasticity are both equal to one.
- A. Labour saving technical change will increase the demand for labour.
 - B. Neutral technical change will increase the demand for labour.
 - C. Labour saving technical change will decrease the demand for labour.
 - D. Labour saving technical change will leave the demand for labour unchanged.

16. The full price of a home produce goods depends on
- A. price of market goods and taxes paid.
 - B. is greater if a the good does not have close substitutes
 - C. is independent of the production function
 - D. the price of market goods used and the wage rate

Price and W effect
 $(P+W) = F$

17. The long-run elasticity of the demand for labour depends on all of the following except
- A. the long-run price elasticity of demand for the product which the labour produces.
 - B. the fraction of labour in total costs.
 - C. the supply of labour.
 - D. the substitutability of other factors of production for labour.

LR & DL 和 SL 无关
 Long-run DL 弹性和 SL 无关

18. If labour and capital are complements for each other, then
- A. when more of one is used the marginal product of the other decreases.
 - B. when more of one is used the marginal product of the other increase.
 - C. when more of one is used the marginal product of the other is constant.
 - D. when more of one is used more of the other must be used.


↑ MP ↑
 ↓ MP ↑

如果 L 和 K 互补
 则一个 MP 一个 MP
 一个↑

19. The higher the opportunity cost of an investment in Human capital
- A. the higher is the present value of an investment in Human capital.
 - B. the great is the level of investment in Human capital.
 - C. the lower is the marginal product of Human capital.
 - D. the lower the level of investment in Human capital.

20. In the **negative tax welfare system**, the **higher the implicit tax rate**
- the higher the breakeven level of income
 - the lower the work incentive
 - the higher the cost of the program
 - all of the above**
21. If **leisure is a normal good** and the **wage falls**
- the substitution effect will induce the consumer to take more leisure and the income effect will induce the consumer to take more leisure
 - the substitution effect will induce the consumer to take less leisure and the income effect will induce the consumer to take more leisure
 - the **substitution effect** will induce the consumer to take **more leisure** and the **income effect** will induce the consumer to take **less leisure**
 - the substitution effect will induce the consumer to take less leisure and the income effect will induce the consumer to take less leisure
22. The **optimal level of leisure** occurs where
- the level of leisure is maximized subject to the budget constraint.
 - the level of income is maximized subject to the budget constraint.
 - the **highest attainable indifference curve is tangent to the budget constraint.**
 - both A. and B.
23. The **demand for labour** by a **monopolist**
- would have the same substitution effect of competitive firm.
 - would have the same scale effect of a competitive firm.
 - would be more elastic than that of a competitive firm.
 - would have the same effect of a wage change as a competitive firm.**
24. Holding all else constant, which of the following factors would tend to make educational investments more attractive?
- An increase in the discount rate (r).
 - An decrease in the wage earned by graduates.
 - An increase in the age at which people retire.
 - A decrease in the scores earned by high school students on tests like the Scholastic Aptitude Test (SAT).
25. Other things remaining the same, if education costs decrease substantially, we would expect to see
- an increase in the marginal revenue product of skilled workers.
 - a decrease in the wage received by skilled workers.
 - an increase in the supply of unskilled workers.
 - a decrease in the number of skilled workers employed.

如果 leisure normal wd
sub ↑ if 21. ↓

optimal level of leisure 出现切点

和最高U相切

26. The demand for labour curve for a monopsony firm
- depends on the marginal cost of labour.
 - is more elastic than the demand for labour by a competitive firm.
 - depends on the supply curve of labour
 - there on demand for labour curve for a monopsony
27. An decrease in the minimum level of income in a Negative income tax system
- lowers the incentive to work.
 - decreases the breakeven level of income.
 - lowers the tax rate.
 - decreases the level of dependence on welfare.
28. The value of an increase in human capital due to additional education is the
- money cost of the additional education.
 - money cost of the additional education plus foregone earnings.
 - present value of all expected future earnings.
 - present value of all extra expected future earnings which are the result of the additional education.
29. In a location model with no migration, the wage differentials depend on
- the ease of substitution between inputs.
 - the number of unskilled workers.
 - marginal location coefficient.
 - the distance between location.
30. The overtaking point in the relationship between earnings and number of years of schooling occurs
- when one has paid back the costs of schooling.
 - when earnings are equal to the earning capacity after a given level of schooling.
 - when the present value of expected future earnings equals the cost of schooling.
 - when one's earnings equal the cost of education.
31. If the elasticity of labour demand is 1.04, and the substitution elasticity is 1.1 and the elasticity of output demand is .9. The share of labour in total cost is approximately
- .6
 - .5
 - .4
 - .3
- $\Delta C = 1.04$
32. In an employer discrimination model, for a positive wage differential there cannot be
- more than one employer.
 - different locations.
 - constant returns to scale production function.
 - positive discrimination coefficient.

33. Changes in the **capital-labour ratio** can be used to **keep** track of
- A. changes in the levels of output between two industries.
 - B. changes in the output prices of two industries.
 - C. **changes in the marginal products of capital and labour.**
 - D. the level of unionization in the union sector.

K/L 變 \Rightarrow keep MP 和 L 變

34. **Unionization of Capital intensive sector** may results in
- A. Union labour being worse off, non-union labour worse off and capital owners may better off or worse off.
 - B. **Non-union labour being better off and capital owners worse off if the non-union sector expands by enough.**
 - C. Capital owners worse off, union labour worse off.
 - D. Union labour being worse off, non-union labour worse off, if the union sector expands by enough.

K 兩

$K_u \Rightarrow L_n \uparrow K \downarrow$

non-union expand enough

35. The **Contract Curve** in the Edgeworth Box shows
- A. the **allocations of labour and capital**, where the **Marginal rates of substitution** are equal between two industries.
 - B. the allocations of labour and capital, where the factor prices are equal between two industries.
 - C. the allocations of labour and capital, where union labour is better off as a result of unionization
 - D. the allocations of labour and capital, where non-union labour is better off as a result of rejecting unionization.

Box theory

$MRS_A = MRS_B$

36. **Unionization of one sector** results in
- A. expanding the unionized sector.
 - B. driving a wedge between the wage rates in the union and non-union sector.
 - C. driving a **wedge** between the marginal rates of substitution in the union and non-union sector.
 - D. both B and C.

使 U_n Wedge - U_u

MRS_u - wedge - MRS_n

37. **Unionization of Labour intensive sector** must results in
- A. Union labour being better off, non-union labour worse off and capital owners may better off or worse off.
 - B. Non-union labour being better off, union labour worse off and capital owners may better off or worse off.
 - C. **Union labour being worse off, non-union labour worse off and capital owners may better off or worse off.**
 - D. Non-union labour being worse off, union labour may be better or worse off and capital owners may better off or worse off.

L_u 使 L_u worse L_n worse K better/worse

Unionization K intensive 兩 \Rightarrow Non union $L \downarrow K \uparrow$ non-union sector enough

Unionization L intensive \Rightarrow union $L \downarrow K \uparrow$ non-union $L \downarrow$

38. After **unionization** of the ^K capital intensive sector, on cannot stay at the level of output in ^L capital intensive sector as before unionization, because
7. 1. 1. 6 stay output level in K 因为 (P变+Y变)使 Sub-expand Labour
- A. both types of labour will demand more of each output.
 - B. the **change** in relative **prices** and **change in real income** will cause a **substitution** which expands the **labour intensive** sector.
 - C. the change in relative prices and change in real income will cause a substitution which expands the capital intensive sector
 - D. changes in the capital-labour ratio have not occurred
39. Paying to acquire the skills necessary to join the ranks of skilled labour can be considered as
- A. a consumption expenditure.
 - B. an investment in physical capital.
 - C. an investment in human capital.
 - D. unnecessary to earning the wage of skilled workers.
40. The cost of acquiring human capital must include all of the following *except*
- A. the money spent directly on training, such as tuition expenditures.
 - B. the interest payments on loans taken to finance a university education.
 - C. the foregone income that could have been earned had the worker become employed instead of attending school.
 - D. the finance charges on the new suit purchased while attending university.
41. If the **Hicks Allen** elasticity of substitution is greater than the output demand elasticity.
- A. the higher the wage the more elastic is labour demand.
 - B. the smaller the share of labour in total cost the less elastic labour demand.
 - C. the labour and capital are complements
 - D. the larger the share of labour in total cost the less elastic labour demand
42. In a **one period Household production model** an **increase in the price of market goods**
- ↑ P Mkt 使 Sub. ↑ of Home Prod
- A. will cause an increase in consumption of home produced goods.
 - B. will cause a substitution into more work time.
 - C. will cause a **substitution into more time intensive** ways of **producing home produced goods**
 - D. will cause a substitution in consumption to home produce goods and a substitution in production to market time.
43. **Full income is**
- A. the total amount an individual earns over the entire year.
 - B. **the amount one would earn if all time is sold to the market.**
 - C. the amount need to calculate Maximum Utility.
 - D. the amount earned at the optimal numbers of work hours.

44. Which of the following costs is typically considered to be associated with an individual's educational investment?

- A. Expenditures for tuition and books.
- B. Earnings foregone while in school.
- C. The effort expended attending class and studying.
- D. All of the above.

45. If productivity cannot be observed by the firm, then using education as a signal

- A. makes all workers better off than compared to no signalling
- B. must make high productivity workers better off.
- C. makes low productivity workers worse off.
- D. generates an inefficient demand for education.

46. Education is a good investment for an individual if

- A. workers with higher levels of education tend to earn higher wages.
- B. given the individual's discount rate, the present value of the benefits; of the investment are greater than or equal to the present value of the costs of the investment.
- C. the internal rate of return associated with the investment is positive.
- D. all of the above.

47. If part-time workers do not have health insurance and a law was passed requiring health insurance for all workers, holding output and capital constant, how would a firm adjust the employment/hours mix of part-time workers?

- A. hours would increase and employment would decrease.
- B. employment would increase and hours would decrease.
- C. employment and hours would both decrease.
- D. No change in employment or hours.

无保险. 要保险 如果
output 和 K 不变
Firm 如何调整 L/h.
L ↓ h ↑

48. Benefits that are received in the future must be discounted (put on a present value basis) before they can be compared with benefits that accrue today because

- A. inflation erodes the purchasing power of dollars received in the future.
- B. dollars received today can be invested.
- C. the future is uncertain and people prefer to consume benefits earlier.
- D. both B. and C.

49. The Marginal rate of technical substitution will increase

- A. the more workers employed by the firm.
- B. the greater the capital labour ratio at the firm
- C. the more productive workers are on average
- D. the higher the price of capital.

MRTS 会 ↑ 因为 K/L 会 ↑

50. If the demand for output is elastic then
- A. biased technical change increases the demand for labour.
 - B. larger the substitution effect of a wage change.
 - C. neutral technical change increases the demand for labour.
 - D. the large the effect of a price change of the price of labour