Use the following information to answer the next 2 questions.

<table>
<thead>
<tr>
<th>Units of labor</th>
<th>Total product per day</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1</td>
<td>700</td>
</tr>
<tr>
<td>2</td>
<td>1,300</td>
</tr>
<tr>
<td>3</td>
<td>1,800</td>
</tr>
<tr>
<td>4</td>
<td>2,200</td>
</tr>
<tr>
<td>5</td>
<td>2,500</td>
</tr>
<tr>
<td>6</td>
<td>2,700</td>
</tr>
</tbody>
</table>

1. If the purely competitive wage is $55 per day and the price of output is $.10, a profit-maximizing firm hires:
   a. 1 worker
   b. 2 workers
   c. 3 workers
   d. 5 workers

2. If the purely competitive wage is $55 per day and the price of output is $.20, a profit-maximizing firms hires:
   a. 2 workers
   b. 4 workers
   c. 5 workers
   d. 6 workers

3. Beyond some point, marginal revenue product declines steadily for the purely competitive firm because:
   a. marginal product is falling
   b. price must decline to sell more units of the good
   c. marginal revenue is falling
   d. total product is falling
4. **A compensating wage differential** is:
   a. the difference between what a worker earns and what the workers could earn in the next base occupation.
   b. the difference between what a worker earns and the worker’s marginal revenue product.
   c. what a worker is paid to offset undesirable characteristics of a job.
   d. what a workers earns in excess of the worker’s opportunity cost.

5. Which one of the following is **not** a means frequently used by unions for increasing union wages?
   a. increasing the demand of union workers
   b. reducing the supply of labor
   c. improving the firm’s technology
   d. collective bargaining

Use the following figure to answer the next 3 questions.

6. **A profit-maximizing monopsony** pays:
   a. $12  
   b. $10  
   c. $8  
   d. $6

7. **A profit-maximizing monopsony** hires:
   a. 10 workers
   b. 15 workers
   c. 20 workers
   d. 25 workers
8. A minimum wage of $10 causes the monopsony to pay a wage of:
   a. $10 and to hire 25 workers
   b. $10 and to hire 15 workers
   c. $8 and to hire 20 workers
   d. $6 and to hire 20 workers

9. Other thing, equal, monopoly power in the product market will:
   a. raise employment in the labor market
   b. lower employment in the labor market
   c. raise the wage in the labor market
   d. have no effect in the labor market

10. The labor demand curve for a monopolist is downward sloping because:
    a. marginal product is declining
    b. marginal revenue is falling since price must be lowered to sell additional output
    c. both of the above
    d. none of the above

11. The firm’s labor demand curve will shift:
    a. if consumers’ demand for a product shifts
    b. if the price of capital changes and capital is a substitute input
    c. if the price of capital changes and capital is a complementary input
    d. all of the above

12. The theory of occupational crowding states that:
    a. individuals tend to crowd into certain preferred occupations thus depressing the wage
    b. women are restricted to certain occupations, causing supply to be greater and the wage lower than without crowding
    c. men have a virtual monopoly on certain occupations; therefore supply is greater and the wage lower in the absence of females
    d. when women are crowded into certain occupations, the wages of men in those occupations rise
<table>
<thead>
<tr>
<th>Plan A</th>
<th>Plan B</th>
<th>Plan C</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earned Income</td>
<td>NIT subsidy</td>
<td>Total Income</td>
</tr>
<tr>
<td>$0</td>
<td>$1,000</td>
<td>$1,000</td>
</tr>
<tr>
<td>1,000</td>
<td>750</td>
<td>1,750</td>
</tr>
<tr>
<td>2,000</td>
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<td>2,500</td>
</tr>
<tr>
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<td>250</td>
<td>3,250</td>
</tr>
<tr>
<td>4,000</td>
<td>0</td>
<td>4,000</td>
</tr>
</tbody>
</table>

Use this table to answer the next 2 questions.

13. The table contains data for three alternative negative income tax (NIT) plans. With respect to the object of preserving incentives to work:
   a. Plan A is the most effective
   b. Plan B is the most effective
   c. Plan C is the most effective
   d. Plans B and C are equally effective
   e. all three plans are equally effective

14. The table contains data for three alternative negative income tax (NIT) plans. With respect to the objective of alleviating poverty:
   a. Plan A is the most effective
   b. Plan B is the most effective
   c. Plan C is the most effective
   d. Plans A and B are equally effective
   e. all three plans are equally effective

15. Which one of the following does not cause the interest rate a borrower must pay to increase?
   a. a longer length of loan
   b. a smaller amount borrowed
   c. a greater supply of loanable funds
   d. a greater risk of default

16. In the strictest sense, pure economic rent is:
   a. a payment to any factor in excess of its opportunity cost
   b. a fee for temporary use of a factor
   c. a payment to a factor that is absolutely fixed in supply
   d. a price for temporary shelter
17. From an economic viewpoint, a tax on land has the advantage of:
   a. raising prices only modestly
   b. reducing output only modestly
   c. affecting neither price nor equilibrium output
   d. not affecting post-tax income distribution

18. Which one of the following is not a source of economic profit?
   a. positive time preferences
   b. innovation
   c. monopoly power
   d. uncertainty

19. Profit serves which one of the following desirable economic functions?
   a. It provides an incentive to restrict output.
   b. It induces people to exploit workers.
   c. It induces firms to reduce cost of production.
   d. It allows firms to ignore desires of consumers.