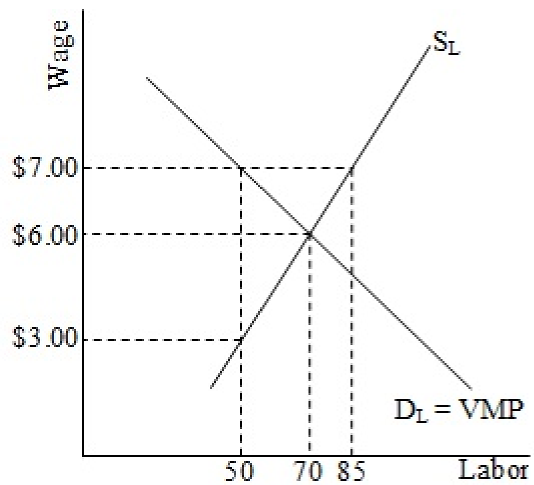
**MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.**

1) The federally mandated minimum wage 1) ________
A) is adjusted each year by an act of Congress to account for inflation.
B) typically falls in value owing to inflation until periodically adjusted by Congress.
C) is adjusted automatically whenever its inflation-adjusted value falls below its original value established in 1938.
D) is substantially below its original 1938 value in real terms because of the effect of inflation.

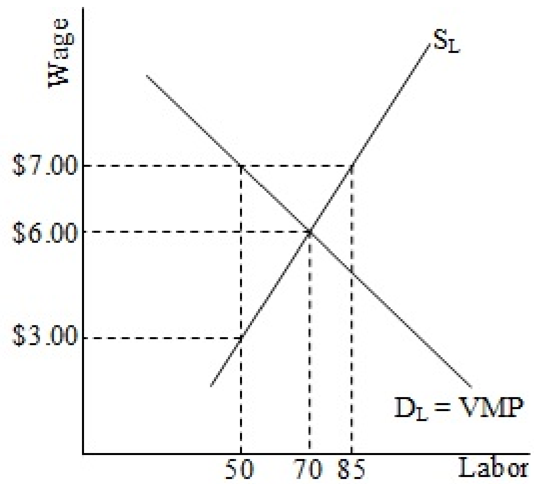
2) A majority of the workers earning the minimum wage 2) ________
A) are males.
B) are females.
C) work full-time.
D) are teenagers.

3) Refer to the diagram below, which shows a competitive low-wage labor market. 3) ________




Consider the diagram. Suppose the government establishes a minimum wage of $7.00 in t
market. Employment would decline by ________ workers, and unemployment would inc
by ________ workers.
A) 20; 20
B) 20; 35
C) 35; 20
D) 35; 35

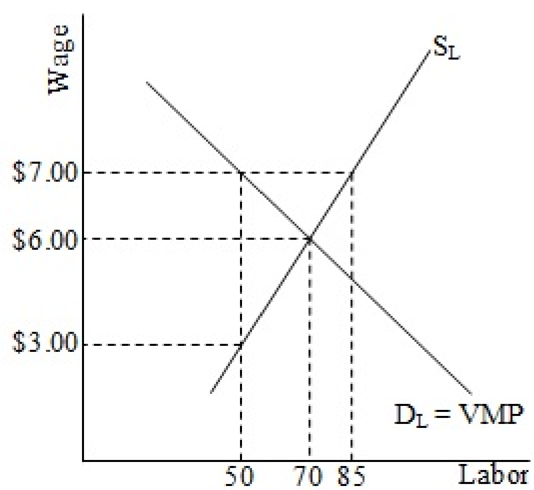
4) Refer to the diagram below, which shows a competitive low-wage labor market. 4) _______




Consider the diagram. Suppose the government establishes a minimum wage of $7.00 in t
market. Which of the following is a *true* statement?

A) Demand is elastic over the relevant range, so that total wage income rises.
B) Demand is elastic over the relevant range, so that total wage income falls.
C) Demand is inelastic over the relevant range, so that total wage income rises.
D) Demand is inelastic over the relevant range, so that total wage income falls.

5) Refer to the diagram below, which shows a competitive low-wage labor market. 5) _______




Consider the diagram. Suppose the government establishes a minimum wage of $7.00 in t
market. If all displaced workers subsequently contribute an amount equal to their next mc
productive employment, the net loss of domestic output is

A) $17.50. B) $40.00. C) $50.00. D) $75.00.

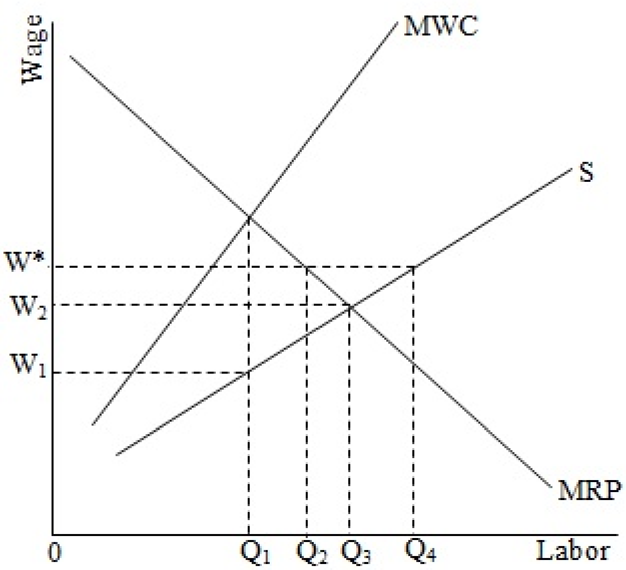
6) A monopsonist is currently paying its 1,000 workers $5.00 per hour. However, its marginal wage cost is $6.00 per hour. If the government sets a minimum wage of $5.50, then 6) ________

A) employment at this firm will rise.
B) employment at this firm will fall.
C) employment at this firm will be unaffected.
D) employment at this firm will rise but the firm's total wage bill will fall.

7) Increases in the minimum wage tend to 7) ________

A) increase both formal schooling and general on-the-job training.
B) increase formal schooling and reduce general on-the-job training.
C) reduce formal schooling and increase general on-the-job training.
D) reduce both formal schooling and general on-the-job training.

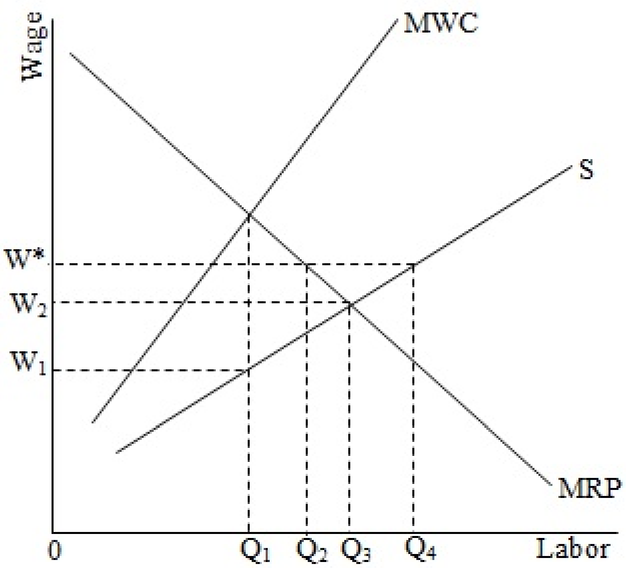
8) Refer to the following diagram. 8) ________




Suppose this labor market is competitive, so that the wage rate is $W_2$ and employment is W* is imposed as the minimum wage, then employment in this market

A) will rise.
B) will fall.
C) will remain the same.
D) may or may not change; more information is required.

9) Refer to the following diagram. 9) _______




Suppose this labor market is monopsonistic, so that the wage is $W_1$ and employment is Q
W* is imposed as the minimum wage, then employment in this market

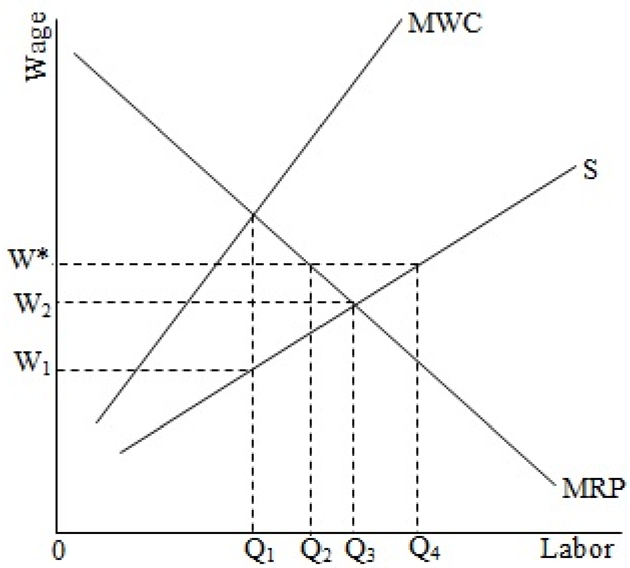
A) will rise to $Q_2$.

B) will rise to $Q_4$.

C) will fall.

D) will remain the same.

10) Refer to the following diagram. 10) _______




Suppose this firm is a perfectly discriminating monopsonist. If W* is imposed as the mini wage, then

A) employment will rise from $Q_1$ to $Q_2$.
B) employment will fall from $Q_3$ to $Q_1$.
C) employment will fall from $Q_3$ to $Q_2$.
D) employment will be unaffected.

11) Examining evidence on the impacts of increases in state minimum wages in New Jersey and California, Card and Krueger found 11) _______

A) substantial reductions in employment, particularly among teens.
B) no increases in wages of low-wage workers, because employers flouted the law.
C) no evidence of reductions in employment.
D) poor quality of the data collected by Neumark and Wascher.

12) Which one of the following claims concerning the minimum wage is generally supported by empirical evidence? 12) _______

A) The minimum wage has only a minor impact on the overall degree of income inequality.
B) The minimum wage has increased teenage employment as a result of the shock effect.
C) Union members suffer the greatest negative impacts of the minimum wage.
D) The reduction in teen employment due to the minimum wage is less than the increase in unemployment.