This problem set is designed to familiarize you with the concepts related to the labor market, earnings, and poverty.

1. A firm in a competitive market hires labor to the point at which:
   a) Marginal product of labor is equal to the price of output
   b) Value marginal product of labor is equal to the market wage
   c) The market wage is as low as possible
   d) The market wage equals the output price

2. Which of the following best describes how the labor demand curve of a firm is derived?
   a) The labor demand curve is equal to the marginal revenue curve
   b) The labor demand curve is equal to the market wage
   c) The labor demand curve is the value marginal product curve
   d) The labor demand curve is the total cost curve

3. Which of the following does NOT cause the labor demand curve of a firm to shift?
   a) A change in the output price
   b) A change in the wage
   c) A change in the technology of the firm
   d) A change in the level of capital used by the firm

4. Which of the following best describes how the labor supply of an individual is determined?
   a) A trade-off between work and leisure
   b) A trade-off between wage and work
   c) Amenities
   d) Employment and earnings

5. Which of the following best describes the slope of the labor supply curve?
   a) Downward-sloping
   b) Upward-sloping
   c) Upward-sloping with the possibility of a backward-bending part
   d) Horizontal
6. Which of the following is most likely to occur in the labor market when there is a general improvement in the technology used by firms?

a) Wage increases, employment increases  
b) Wage increases, employment decreases  
c) Wage decreases, employment increases  
d) Wage decreases, employment decreases

7. Which of the following is most likely to occur in the labor market when there is an increase in immigration to the labor market?

a) Wage increases, employment increases  
b) Wage increases, employment decreases  
c) Wage decreases, employment increases  
d) Wage decreases, employment decreases

8. Human Capital is best described as:

a) A difference in wages that arises to offset the non-monetary characteristics of different jobs  
b) The accumulation of investments in people, including education and training  
c) Above-equilibrium wages paid by firms in order to increase productivity  
d) Differences in wages to similar individuals who differ only by personal characteristics

9. A Compensating Differential is best described as:

a) A difference in wages that arises to offset the non-monetary characteristics of different jobs  
b) The accumulation of investments in people, including education and training  
c) Above-equilibrium wages paid by firms in order to increase productivity  
d) Differences in wages to similar individuals who differ only by personal characteristics

10. Discrimination in wages:

a) A difference in wages that arises to offset the non-monetary characteristics of different jobs  
b) The accumulation of investments in people, including education and training  
c) Above-equilibrium wages paid by firms in order to increase productivity  
d) Differences in wages to similar individuals who differ only by personal characteristics

11. Efficiency Wages are best described as:

a) A difference in wages that arises to offset the non-monetary characteristics of different jobs  
b) The accumulation of investments in people, including education and training  
c) Above-equilibrium wages paid by firms in order to increase productivity  
d) Differences in wages to similar individuals who differ only by personal characteristics
12. The average wage of males is different from the average wage of females. Which of the following, best describes the conclusions that can be reached from this information alone:

a) There must be discrimination
b) There is not discrimination
c) There might be discrimination
d) The data is wrong

13. The poverty line is best described as:

a) The amount of poverty in a country
b) The critical level of the amount of poverty
c) The income necessary to attain the minimum acceptable standard of living
d) The trend in poverty over time

14. The poverty rate is best described as:

a) The trend in poverty over time
b) The percent of individuals in poverty
c) The poverty status of an individual
d) The amount it costs to be in poverty

15. In 2011, the poverty rate in the United States was:

a) 6.7 percent
b) 12.7 percent
c) 14.3 percent
d) 15.0 percent

16. In the United States, policy related to reducing poverty is NOT targeted to improving the situation of which of the following groups?

a) Single working-age adults
b) Children
c) Elderly
d) Disabled
For Questions 17-20, consider a society with four households who have income indicated below:

HH1 = $10,000, HH2 = $15,000, HH3 = $20,000, HH4 = $25,000

The basic basket of goods used to calculate the poverty line includes two goods:

200 units of Good X which has price of $40, and 1000 units of Good Y which has price $8.

17. What is the poverty line?
   a) $48  
   b) $1,200  
   c) $8,000  
   d) $16,000

18. What is the poverty rate?
   a) 2 percent  
   b) 300 percent  
   c) 50 percent  
   d) $16,000

19. How much money would have to be transferred to those in poverty to bring them up to the poverty line?
   a) $0  
   b) $7,000  
   c) $9,000  
   d) $30,000

20. In the United States, about what share of income did the top 1% of households hold in 2010?
   a) 1%  
   b) 6%  
   c) 17%  
   d) 26%