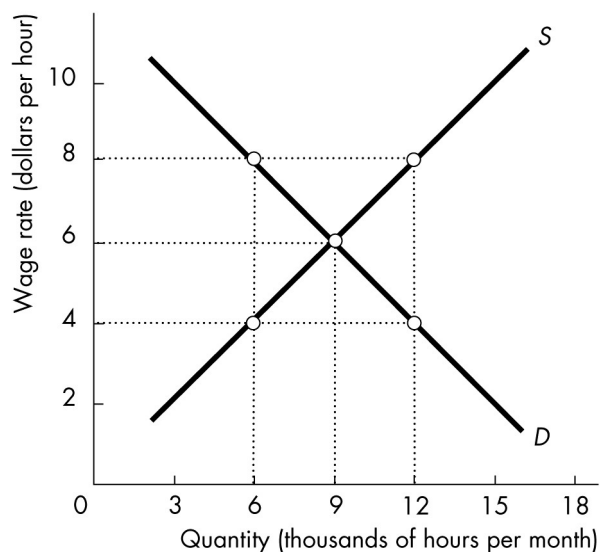


## PRACTICE QUESTIONS FOR CM7 4/13/21

1. An example of a price floor is:
  - a. Rent control.
  - b. A sales tax.
  - c. The minimum wage.
  - d. A subsidy.
  - e. A quota.
2. A minimum wage causes:
  - a. Excess demand for labor.
  - b. Excess supply of labor.
  - c. Unemployment to decrease.
  - d. The number of people willing to work to decrease.
  - e. All low wage workers to be better off.



3. The figure above shows the demand for and supply of labor of students at WWU. The minimum wage is set at \$8 per hour. Student hours worked will drop by:
  - a. 12,000 hours.
  - b. 9,000 hours.
  - c. 6,000 hours.
  - d. 3,000 hours.
  - e. No hours will be lost because the minimum wage has little effect on

employment.

4. Minimum wage workers are most likely to be:

- a. Skilled workers.
- b. Workers with a lot of human capital.
- c. Workers with low human capital and/or little job experience.
- d. Heads of households with dependent children.
- e. Highly unionized.

5. The minimum wage will have very little effect if the demand curve for labor is:

- a. positively sloped.
- b. concave to (bowed away from) the origin.
- c. convex to (curved towards) the origin.
- d. close to vertical over the relevant wage range.
- e. close to horizontal over the relevant wage range.

6. The two main features of a Negative Income Tax are:

- a. It provides everyone with a minimum annual income and taxes all incomes at the same rate.
- b. It guarantees a minimum wage to all individuals and an increasing tax rate as incomes rise.
- c. It helps mainly people in the top half of the income distribution and it has a highly regressive tax rate structure.
- d. Unlike the EITC it helps mainly people who have jobs and who do not pay much income tax.
- e. Economists point out that compared to the minimum wage it is not well targeted although it is easy to implement.