Add, modify, and remove questions. Select a question type from the Add Question drop-down list and click Go to add questions. Use Creation Settings to establish which default options, such as feedback and images, are available for question creation.

Name: Quiz 7 -- factor markets
Description: You have one hour to complete the quiz. Once you start the quiz, you must finish it. No second attempts are allowed.

Question 1 - Multiple Choice 10 points
Question: Which of the following groups lists the four factors of production?
Answer:
- labor, capital, land, money
- labor, capital, money, entrepreneurship
- labor, capital, land, entrepreneurship
- labor, money, land, entrepreneurship

Question 2 - Multiple Choice 10 points
Question: An increase in the supply of a factor of production will
Answer:
- increase its price, quantity, and income.
- decrease its price, quantity, and income.
- increase its price, decrease its quantity, and might increase, decrease or not change its income.
- decrease its price, increase its quantity, and might increase, decrease, or not change its income.

Question 3 - Multiple Choice 10 points
Question:
In the above figure, as the wage rate decreases along $LD_1$ from $12$ to $8$ the demand for labor over this range of wages is

**Answer**
- is elastic.
- is unit elastic.
- is inelastic.
- may be elastic, inelastic, or unit elastic but more information is required to determine which it is.

**Question 4**
**Multiple Choice**

**Question**: The marginal revenue product ($MRP$) of labor is the extra revenue generated by

**Answer**
- hiring one additional unit of labor.
- selling an additional unit of output.
- raising the price of the product by one dollar.
- price discrimination.

**Question 5**
**Multiple Choice**

**Question**: The marginal revenue product equals

**Answer**
- total revenue multiplied by total product (output).
- marginal revenue multiplied by marginal product.
- total revenue divided by total product (output).
- marginal revenue divided by marginal product.

**Question 6**
**Multiple Choice**

<table>
<thead>
<tr>
<th>Quantity of labor</th>
<th>Total revenue</th>
<th>Total product (units)</th>
</tr>
</thead>
</table>

In the table above, the marginal revenue product of the third unit of labor is

**Answer**

- $4.
- $12.
- $3.
- $16.

**Question 7**

**Multiple Choice**

<table>
<thead>
<tr>
<th>Quantity of labor (workers)</th>
<th>Total revenue (dollars)</th>
<th>Total product (units of output)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1</td>
<td>20</td>
<td>5</td>
</tr>
<tr>
<td>2</td>
<td>36</td>
<td>9</td>
</tr>
<tr>
<td>3</td>
<td>48</td>
<td>12</td>
</tr>
<tr>
<td>4</td>
<td>56</td>
<td>14</td>
</tr>
<tr>
<td>5</td>
<td>60</td>
<td>15</td>
</tr>
</tbody>
</table>

In the table above, if the wage rate is $8.00 per hour, the profit-maximizing number of workers is

**Answer**

- 5.
- 4.
- 1.
- 2.

**Question 8**

**Multiple Choice**

**Question** The quantity of labor demanded by the firm is such that the marginal revenue equals the marginal product.

**Answer**

- wage rate equals the marginal product of labor.
- wage rate equals the marginal cost.
- ✓ wage rate equals the marginal revenue product of labor.

**Question 9**

**Multiple Choice**

**Question** If the marginal revenue product of labor exceeds the wage rate, a firm in a competitive labor market will

**Answer** pay a higher wage.
employ less labor. pay a lower wage. 
✓ employ more labor.

**Question 10** - Multiple Choice  10 points

**Question** A firm's marginal revenue product of labor curve 
**Answer** ✓ is its demand for labor curve. is flatter than its demand for labor curve. bends backward. is steeper than its demand for labor curve.

**Question 11** - Multiple Choice  10 points

**Question** The demand for labor decreases if 
**Answer** ✓ technology increases labor's marginal product. the price of the firm's output falls. the price of capital rises. the wage rate decreases.

**Question 12** - Multiple Choice  10 points

**Question** New technology 
**Answer** ✓ definitely does not change a firm's demand for labor. could increase or decrease a firm's demand for labor. definitely decreases a firm's demand for labor. definitely increases a firm's demand for labor.

**Question 13** - Multiple Choice  10 points

**Question** The smaller the cost of a factor relative to total cost, the more inelastic the supply of the factor. the greater is the demand for fixed-cost inputs. the more elastic is the demand for the factor. ✓ the more inelastic is the demand for the factor.

**Question 14** - Multiple Choice  10 points

**Question** A hairstyling shop has a very labor-intensive production process. Such a firm can be expected to have 
**Answer** ✓ very elastic demand for labor. unit elastic demand for labor. very inelastic demand for labor.
Question 15 - Multiple Choice 10 points

Question Which of the following would increase the elasticity of the demand for labor?
Answer ✓ an increase in the elasticity of the demand for output
       a decrease in the elasticity of the demand for output
       a decrease in the labor intensity of the production process
       a decrease in substitutability between labor and capital

Question 16 - Multiple Choice 10 points

Question If there is a change in legislation that makes it easier for hospitals to substitute other health care professionals for nurses, then the demand for nurses will become
Answer ✓ more elastic.
       this change will not affect the elasticity of demand for nurses.
       less elastic.
       first more elastic, then less elastic.

Question 17 - Multiple Choice 10 points

Question For the past year, Teddy has had a part-time job at which he is willing to work 10 hours each week. During Teddy’s annual review, his boss compliments him with an 8 percent increase in his wage for having been a diligent employee. As a result of the wage increase, Teddy is now willing to work 15 hours each week. Teddy is willing to work for more hours because Teddy’s opportunity cost of
Answer ✓ leisure has risen and the substitution effect is greater than the income effect.
       leisure has risen and the substitution effect is less than the income effect.
       work has risen and the substitution effect is less than the income effect.
       work has risen and the substitution effect is greater than the income effect.

Question 18 - Multiple Choice 10 points

Question The labor supply curve is backward bending if the
Answer ✓ the income effect dominates the substitution effect at lower wages, but the substitution effect dominates the income effect at higher wages.
       the income effect dominates the substitution effect at all wages.
       the substitution effect dominates the income effect at all wages.
       the substitution effect dominates the income effect at lower wages, but the income effect dominates the substitution effect at higher wages.

Question 19 - Multiple Choice 10 points

Question Suppose a new technology increases the marginal product of labor in the sweater industry. As a result, the
Answer ✓ demand curve for labor in the sweater industry shifts leftward and the wage rate rises.
       demand curve for labor in the sweater industry shifts rightward and the wage rate falls.
       demand curve for labor in the sweater industry shifts rightward and the wage rate rises.
       demand curve for labor in the sweater industry shifts leftward and the wage rate falls.
Question 20 - Multiple Choice 10 points

Question If the interest rate is 20 percent, $100 to be received four years from today has a present value of approximately

Answer

$48. ✔
$69.
$100.
$80.

Question 21 - Multiple Choice 10 points

Question The present value of $50 to be received next year is $40. The interest rate is

Answer

50 percent. ✔
20 percent.
25 percent.
10 percent.

Question 22 - Multiple Choice 10 points

Question An investment pays $100 at the end of each of the three next years. No additional payments will ever be made. If the annual interest rate is 5 percent, the present value of the investment is approximately

Answer

$288. ✔
$272.
$250.
$300.

Question 23 - Multiple Choice 10 points

Question If the net present value of a given investment is positive, then the

Answer

firm is maximizing its investment potential. ✔
firm should purchase more capital in the future, but not today.
firm should undertake the investment.
investment is not profitable and should not be undertaken.

Question 24 - Multiple Choice 10 points

Question

<table>
<thead>
<tr>
<th>Price of machine (dollars)</th>
<th>Life of machine (years)</th>
<th>Marginal revenue product of machine (dollars at the end of each year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>10,000</td>
<td>2</td>
<td>6,000</td>
</tr>
</tbody>
</table>

If the interest rate is 5 percent per year, then the net present value of the investment in the above table is

Answer

$2000.
Question 25 - Multiple Choice 10 points

Question Because people wish to smooth out consumption over their life cycle, saving is
Answer ✓ highest for middle-aged adults.
              ✓ highest for the elderly.
              ✓ highest for young adults.
              approximately the same for all age groups.

Question 26 - Multiple Choice 10 points

Question If Social Security is cut and people decide to increase saving for retirement
Answer ✓ supply of capital will increase and interest rates will fall
              supply of capital will decrease and interest rates will fall
              demand for capital will increase and interest rates will rise
              none of the above

Question 27 - Multiple Choice 10 points

Question If there is a technological innovation creating many new profitable investment opportunities
Answer ✓ supply of capital will increase and interest rates will rise
              demand for capital will increase and interest rates will rise
              supply of capital will decrease and interest rates will fall
              none of the above

Question 28 - Multiple Choice 10 points

Question According to the Laffer curve,
Answer ✓ a higher interest rate will cause lead to increased saving.
              a higher tax rate will always increase tax revenue.
              ✓ a lower tax rate could either increase or decrease tax revenue.
              a higher interest rate reduces business investment in capital goods.

Question 29 - Multiple Choice 10 points

Question Which of the following would lead to higher interest rates and less business investment?
Answer ✓ the baby boomers entering retirement.

       an announcement that Social Security will be less generous causing people to adjust their saving behavior prior to retirement.
       businesses receive news that makes them pessimistic about their future sales growth.
all of the above

Question 30 - Calculated Numeric 10 points

Question
An investment will pay $1000 in one year and another $2000 in two years. If the investment costs $2500 today and the interest rate is 5%, the NPV of this investment is: (enter your answer without a $ sign and round to the nearest dollar).

Answer

Answer range +/-

266
2

Question 31 - Multiple Choice 10 points

Question
Over the past 20 years,

Answer
the difference between the earnings of college and high school graduates decreased, partly because of technological advances and partly because of declining trade between nations.
the difference between the earnings of college and high school graduates decreased, partly because of technological advances and partly because of rising trade between nations.
the difference between the earnings of college and high school graduates increased, partly because of technological advances and partly because of declining trade between nations.
the difference between the earnings of college and high school graduates increased, partly because of technological advances and partly because of rising trade between nations.

all of the above