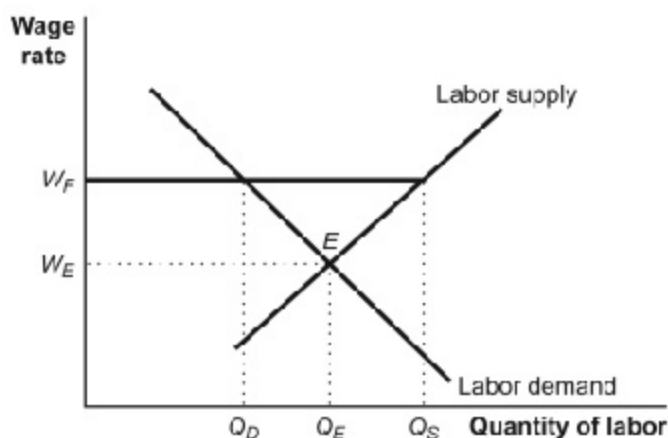


Name: _____ Date: _____

Use the following to answer questions 1-3:

Figure: The Effect of a Minimum Wage

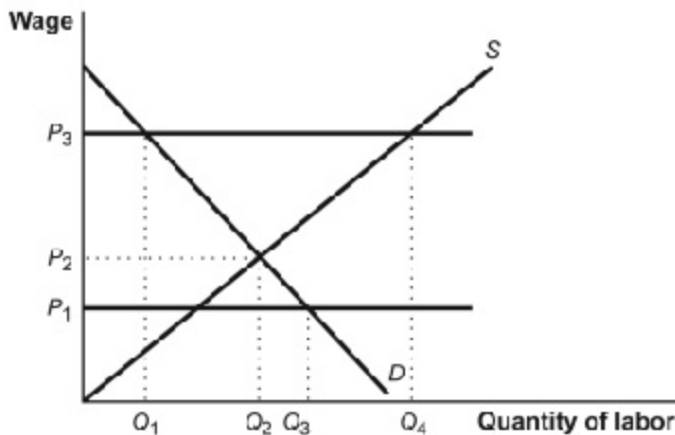


1. (Figure: The Effect of a Minimum Wage) Suppose the labor market is in equilibrium at E when the government imposes a minimum wage of W_F . One problem that may arise is that the quantity of labor supplied would _____, resulting in structural unemployment.
A) decrease to Q_D
B) stay at Q_E
C) increase to Q_S
D) stay at W_E
2. (Figure: The Effect of a Minimum Wage) Suppose the labor market is in equilibrium at E when the government imposes a minimum wage of W_F . Structural unemployment will equal:
A) $Q_S - Q_D$
B) $Q_E - Q_D$
C) $Q_S - Q_E$
D) zero.
3. (Figure: The Effect of a Minimum Wage) Suppose that after some time with a minimum wage of W_F , the government abolishes the minimum wage. Employment would:
A) decrease to Q_E
B) increase to Q_E
C) stay at Q_E
D) be impossible to determine.

4. A minimum wage of \$7.25 per hour might cause structural unemployment if the equilibrium wage in that labor market is:
- A) \$7.25.
 - B) \$8.00.
 - C) \$6.85.
 - D) \$7.30.
5. When the demand for labor is falling and employers have committed to high wages, _____ unemployment will result.
- A) frictional
 - B) cyclical
 - C) permanent
 - D) structural
6. Cyclical unemployment:
- A) rises during a recession.
 - B) falls during a recession.
 - C) rises during an expansion.
 - D) is a part of natural unemployment.
7. Structural unemployment can be caused by all of the following EXCEPT:
- A) minimum wages.
 - B) labor unions.
 - C) efficiency wages.
 - D) fluctuations in the business cycle.
8. Last month Brent lost his job at the auto parts factory because his factory, like many others, relocated to Asia. Brent has been looking for similar factory jobs in his town but has found no openings. Brent is best classified as:
- A) structurally unemployed.
 - B) frictionally unemployed.
 - C) a discouraged worker.
 - D) out of the labor force.
9. A binding minimum wage in a labor market is set _____ the equilibrium wage and creates a _____ of labor.
- A) below; surplus
 - B) below; shortage
 - C) above; surplus
 - D) above; shortage

Use the following to answer questions 10-14:

Figure: The Minimum Wage



10. (Figure: The Minimum Wage) Look at the accompanying figure on the labor market. By how much does the quantity of labor supplied rise when the government imposes a binding minimum wage of P_3 ?
- A) $Q_4 - Q_1$.
 - B) $Q_3 - Q_2$.
 - C) $Q_2 - Q_1$.
 - D) $Q_4 - Q_2$.
11. (Figure: The Minimum Wage) Look at the accompanying figure on the labor market. Which of the following is a binding minimum wage?
- A) P_1 .
 - B) P_2 .
 - C) P_3 .
 - D) zero.
12. (Figure: The Minimum Wage) Look at the accompanying figure on the labor market. What is the quantity of labor supplied at a binding minimum wage of P_3 ?
- A) Q_1 .
 - B) Q_2 .
 - C) Q_3 .
 - D) Q_4 .

13. (Figure: The Minimum Wage) Look at the accompanying figure on the labor market. What is the quantity of labor demanded at a binding minimum wage of P_5 ?
- A) Q_1 .
 - B) Q_2 .
 - C) Q_3 .
 - D) Q_4 .
14. (Figure: The Minimum Wage) Look at the accompanying figure on the labor market. The binding minimum wage of P_5 leads to unemployment of:
- A) $Q_3 - Q_1$.
 - B) $Q_3 - Q_2$.
 - C) $Q_4 - Q_1$.
 - D) $Q_4 - Q_2$.