

ARE 201 Spring 2009 HW #8

Due Date: Tuesday April 23rd, 2009 before class

MULTIPLE CHOICE

1. Shaquille O'Neal, a famous basketball player, earns more than a university professor. The neoclassical theory of labor markets would suggest that
 - a. university professors who want to be rich should play basketball.
 - b. Shaquille O'Neal is smarter than a university professor.
 - c. Shaquille O'Neal is the greatest basketball player of all time.
 - d. Shaquille O'Neal contributes more to the economy's production of goods and services than a university professor.

2. Public school teachers are known to have low wages. This is likely to be partially explained by the fact that
 - a. public school teacher jobs are easy.
 - b. public school teachers are required to be college graduates.
 - c. public school teachers need very little money to live.
 - d. many people perceive the job of public school teacher to have a high element of personal satisfaction.

3. The statement that "Coal miners are paid more than workers with similar levels of education" is likely to reflect the fact that
 - a. coal mining is a declining industry.
 - b. coal mining jobs are potentially more dangerous than jobs with comparable education requirements.
 - c. all coal mines use union labor.
 - d. coal exports are rising.

4. When computers are used to replace workers on a factory production line, the wage gap between skilled and unskilled workers
 - a. will increase only if the company can increase the price of its product.
 - b. is likely to increase.
 - c. is likely to decrease.
 - d. will not change.

5. The "beauty premium" can be explained by the fact that
 - a. marginal productivity in all occupations has a physical dimension.
 - b. in some occupations, physical attractiveness of a worker may enhance the value of their marginal product.
 - c. beauty acts as an implicit signal of innate intelligence.
 - d. beautiful people are likely to reflect "good breeding."

6. Market discrimination is evident when
 - a. wages of individuals differ on the basis of some recognizable attribute that is unrelated to productivity.
 - b. wage rates differ for similar jobs.
 - c. consumers prefer to shop at some stores, and not at others.

- d. All of the above are correct.
7. Politicians often point to wage differentials as evidence of labor market discrimination against ethnic minorities and women; however, economists argue against this approach because
- (i) they don't believe the wage differential really exists.
 - (ii) they can't agree on a definition of the term "discrimination."
 - (iii) even in a labor market free of discrimination, different people have different wages.
- a. (i) only
 - b. (iii) only
 - c. (i) and (ii)
 - d. (ii) and (iii)
8. Business owners who care only about making money are
- a. likely to discriminate against certain groups of workers.
 - b. likely to be replaced by discriminating businesses.
 - c. very interested in the color of their employees' skin.
 - d. at an advantage when competing against those who practice discrimination.
9. Economists would argue that the gender wage gap is narrowing because of
- a. decreased productivity among male workers.
 - b. increased training among women.
 - c. efficiency wages.
 - d. federal laws that were passed in the 1970s.
10. By definition, there is discrimination when the marketplace offers different opportunities to similar individuals who differ only by
- a. race, ethnic group, sex, age, or other personal characteristics.
 - b. qualifications, experience, or job preferences.
 - c. extent of human capital.
 - d. All of the above are correct.

TRUE/FALSE

1. Labor unions will raise the quantity of labor demanded.
2. A compensating differential refers to a difference in wages that arises from nonmonetary characteristics.
3. Differences in human capital among groups of workers is possibly a reflection of discrimination.
4. Evidence of discrimination is most apparent when one compares wages among broad groups.
5. All differences in wages that are not accounted for by differences in human-capital investment are likely to be a result of discrimination.

SHORT ANSWER
APPLICATION/SCENARIO

Explain the theory that education acts as a signaling device. How does this contrast with the theory of education as an investment in human capital?