106. Wage differentials occur for all the following reasons *except*:   
A. Homogeneous workers  
B. Labor market imperfections  
C. Noncompeting groups of workers  
D. Compensating differences to offset nonmonetary differences in jobs

107. Equilibrium price differentials for productive resources:   
A. Tend to be self-eliminating  
B. May be caused by differences in the quality of those resources  
C. Are eliminated when the allocation of resources is in a state of equilibrium  
D. Are unrelated to differences in nonmonetary benefits

108. Why do skilled workers generally earn more than unskilled workers?   
A. The demand for unskilled labor is more inelastic than the demand for skilled labor  
B. Skilled labor has higher marginal revenue products than unskilled labor  
C. The demand for unskilled labor is greater than the demand for skilled labor  
D. The supply of skilled labor is greater than the supply of unskilled labor

109. A college graduate who works at a firm is also working part-time on a master's degree in business and expects to be paid a higher wage after earning the degree. The basic reason for this wage differential is:   
A. Efficiency wages  
B. Compensating differences  
C. Investment in human capital  
D. Nonmonetary aspects of work

110. The major reason that presidents of major corporations receive an average salary of over $1 million a year and truck drivers receive an average salary of about $50,000 a year can best be explained by:   
A. Discrimination  
B. Lack of job information  
C. Compensating differences  
D. Noncompeting labor groups

111. The reason that unskilled construction workers typically receive higher wages than retail sales clerks is best explained by:   
A. Discrimination  
B. Geographic immobilities  
C. Compensating differences  
D. Noncompeting labor groups

112. The lack of job information for workers would be an example of what explanation for wage differentials among workers?   
A. Noncompeting groups  
B. Compensating differences  
C. Market imperfections  
D. Principal-agent problems

113. Discrimination that results in minorities being paid less than whites for identical work would be an example of what explanation for wage differentials?   
A. Noncompeting groups  
B. Compensating differences  
C. Market imperfections  
D. Principal-agent problems

114. Nonmonetary considerations tend to be most important in the allocation of:   
A. Land  
B. Capital  
C. Labor  
D. Natural resources

115. Other things being equal, the wages of clerical workers would tend to decrease if there was an increase in:   
A. The marginal revenue product of clerical workers  
B. The minimum entry requirements for clerical work  
C. The period of training required for clerical work  
D. Nonmonetary benefits available to clerical workers

116. Geographic immobility in the labor force results in:   
A. Homogeneous wage rates  
B. Homogeneous unemployment rates  
C. Local labor markets which reach equilibrium quickly and efficiently  
D. Persistent wage and unemployment differentials in different regions of the country

117. Which action taken by a worker would *not* be an investment in human capital?   
A. Enrolling in college  
B. Enrolling in trade school  
C. Purchasing exercise equipment  
D. Purchasing stock in a pharmaceutical company

118. According to proponents of human capital theory, education:   
A. Increases a worker's productivity  
B. Identifies more productive workers for employers, but does not directly increase productivity  
C. Should result in all workers with college degrees earning more than all workers who hold only high school diplomas  
D. Is an investment with primarily higher returns and lower risks than those available through investments in physical or financial capital

119. The principal-agent problem as it applies to labor employment refers to:   
A. Employer and workers wanting the firm to survive and thrive  
B. Firms having the profit motive, while workers may be shirking on the job  
C. Employers having a problem finding qualified workers  
D. Workers facing a problem finding employment

120. A firm pays the market equilibrium wage of $15.00 an hour, and the workers produce 25 units of output an hour. If the firm adopts an efficiency-wage policy, then the wage rate for these workers would be expected to:   
A. Increase and productivity to decrease  
B. Decrease and productivity to increase  
C. Increase and productivity to increase  
D. Decrease and productivity to decrease

121. Incentive pay plans that seek to tie worker compensation more closely to worker performance includes the following, *except*:   
A. Commissions or royalties  
B. Seniority-based pay scale  
C. Stock options and profit-sharing  
D. Efficiency wages

122. Pay-for-performance systems seek to deal with the:   
A. Unemployment problem  
B. Monitoring problem  
C. Discouraged worker problem  
D. Principal-agent problem



123. A wage payment system in a firm incorporates a guaranteed wage with an incentive element, provided that a certain minimum level of output is achieved. Which of the above graphs represents such a system?   
A. 1  
B. 2  
C. 3  
D. 4

124. Taking unauthorized work breaks would be an example of:   
A. Compensating differences  
B. Noncompeting groups  
C. Piece rate incentives  
D. Shirking

125. What concept is associated with the notion that employers can get greater effort from workers by paying them a relatively high, above-equilibrium wage?   
A. Profit sharing  
B. Efficiency wages  
C. Piece rate wages  
D. Bonus or commissions

126. Which would be an example of a negative side effect of pay for performance plans?   
A. Profit sharing plans will tend to decrease the "free-ride" that some workers get by being part of a team  
B. Employers get greater effort from workers by paying them a relatively high, above-equilibrium wage  
C. Workers have to take additional schooling to learn skills that will enable them to keep their jobs  
D. An increase in production from piece work can result in a decline in product quality

127. Those economists who justify high pay packages for CEOs say that they:   
A. Are primarily an efficiency wage package for CEOs  
B. Reflect the compensating differences for CEOs  
C. Reflect the marginal revenue product of CEOs  
D. Are like buying a ticket to a lottery

128. Critics of large pay packages for CEOs argue that they:   
A. Are based on a faulty calculation of piece rate  
B. Are an ineffective form of an efficiency wage  
C. Bear little relation to marginal revenue product  
D. Would be better if they were determined by royalty payments