

08-Income-Subst-Effects

- 1 **(1: #1 of 3)** A worker 'buys' leisure by working fewer hours. Leisure is a normal good. A worker's hourly wage raises. What are the signs of the **income** and **substitution** effects on labor supply? (+) means more hours of work; (-) means fewer hours of work

- A Substitution effect (+); Income effect (+)
- ☒ Substitution effect (+); Income effect (-)
- C Substitution effect (-); Income effect (+)
- D Substitution effect (-); Income effect (-)

- 2 **(1: #2 of 3)** The Earned Income Tax Credit (EITC) is what type of transfer program?

- A An in-kind benefit
- ☒ A refundable tax credit
- C An entitlement
- D A deep state effort to curtail freedom

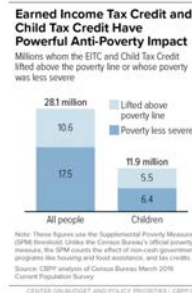
SURVEY

- 3 **(1: #3 of 3)** What is the purpose of the EITC?

- A To encourage work
- B To reduce poverty
- C To reward fertility
- D To increase well-being of recipients

SURVEY

- 4 **(2: #1 of 1)** What does **the anti-poverty impact of the EITC** mean in this table from the Center on Budget and Policy Priorities?



- A CBPP observes $Y_{0,i}$ for each child, calculates $T_i = Y_{1,i} - Y_{0,i}$
- B CBPP calculates $Y_{0,i}$ for each HH as $Y_{1,i} - EITC_i$, assuming no behavioral response to removal of EITC
- C CBPP calculates $Y_{1,i} - EITC_i$ for each household, and then adjusts further for behavioral responses
- D No way to know

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