Problem set #2

1. Perloff (fourth edition): question 2 page 43

2. Perloff (fourth edition): question 15 page 44


5. Perloff (fourth edition): problem 28 page 44

6. In a competitive labor market, demand for workers is $Q_D = 10,000 - 100W$, and supply is $Q_S = 2,000 + 1,900W$ where $Q$ is the quantity of workers employed and $W$ is the hourly wage. What is the initial equilibrium wage and employment level? Suppose that the government decides that $5 per hour is the minimum allowable wage in any market. How would this new minimum wage alter this market? What would the new employment level be? Would there be any excess supply of labor? If so, how much?

7. If demand for toy drums is described by equation $Q_D = 300 - 5p$, and supply is $Q_S = 60 + 3p$, find the equilibrium price and quantity. How would your answer change if a decrease in consumer income shifted the demand curve to $Q'_D = 220 - 5p$?