

ECON. 101 Practice Handout #6
Answer Key

1.

- a. 60; 55; 50; 45; 35; 30; 25; 20; 15.
- b. \$3600, \$3300, \$3000, \$2700, \$2400, \$2100, \$1800, \$1500, \$1200, \$900
- c. 7
- d. \$0

2. (1) Equilibrium Wage (2) Equilibrium level of employment

(3) leisure (4) more

(5) decrease (6) income

(7) more (8) Substitution effect

(9) Increase (10) Offset.

(11) Minimum wage (12) higher

(13) decrease (14) supply

(15) unskilled (16) unions.

3.

- a. Market demand curve is $\text{wage} = -.001(\text{Quantity Demanded}) + 16$. The competitive equilibrium wage rate is \$8 per hour, at which the market quantity of labor demanded matches the market quantity supplied of 8000 hours.
- b. The supply curve of labor to the firm is horizontal or infinitely elastic at the competitive market equilibrium. To maximize total profits, each firm should hire 80 hours of labor, at which the firm's marginal revenue product of labor equals the \$8 per hour equilibrium market-wage rate.

4. (a). T; (b). T; (c). F; (d). T; (e). T.