



AP[®] Microeconomics 2002 Sample Student Responses Form B

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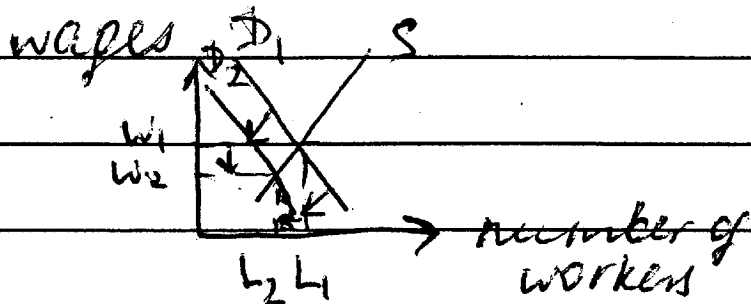
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3) a)

i) The closing of plants will result in the decrease in demand for workers in the labour market of Baza. The demand curve shifts left.

So equilibrium wages decrease and number of employed workers decrease.

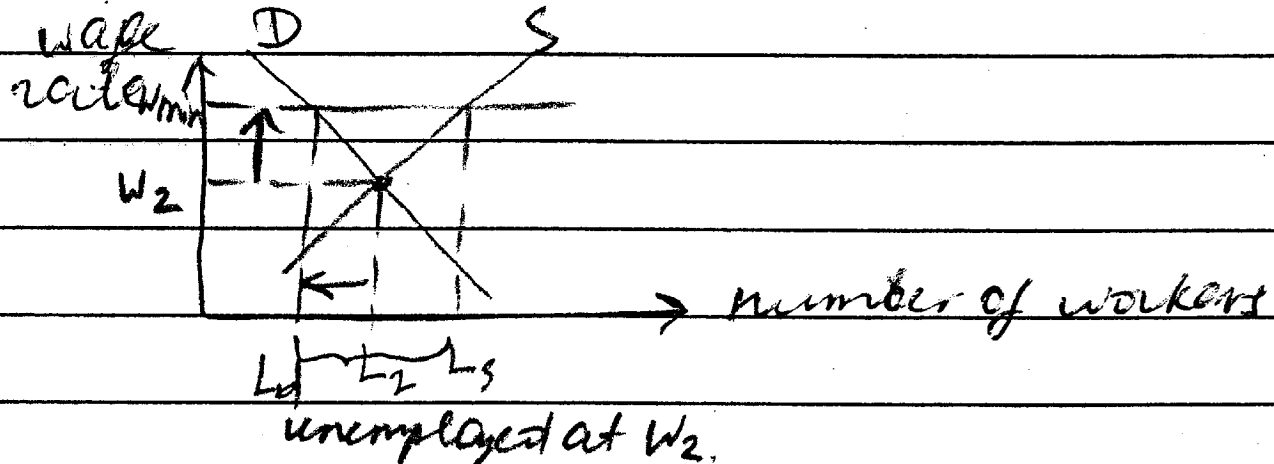


ii) At the new equilibrium wage w_2 , all workers that are willing to work at it will be employed.

36)

Write in the box the number of the question you are answering on this page as it is designated in the examination.

i) An effective minimum wage is set above the equilibrium level. Thus, the demand for workers at the minimum wage rate w_{min} will be less than the supply of workers at w_{min} . So on the whole the wage rate will increase from w_2 to w_{min} , but the number of employed are determined by the demand, so it will decrease from L_2 to L_d .

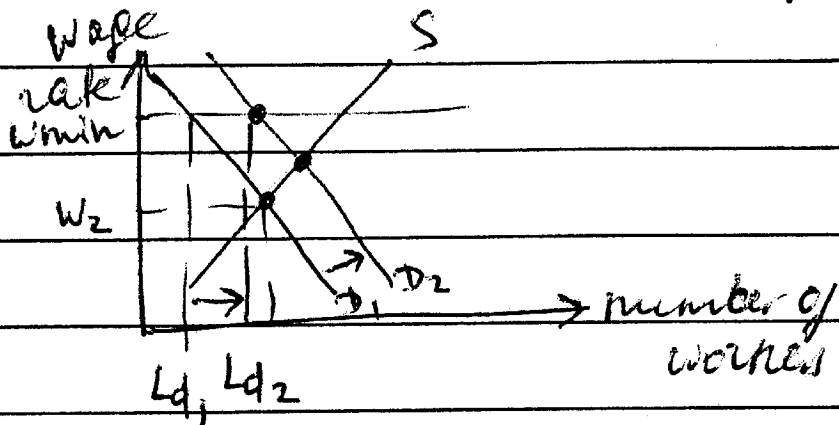


ii) The number of workers that cannot find employment will be $(L_s - L_d)$ at w_{min} . After the introduction of the minimum wage rate, it will increase. The number of unemployed

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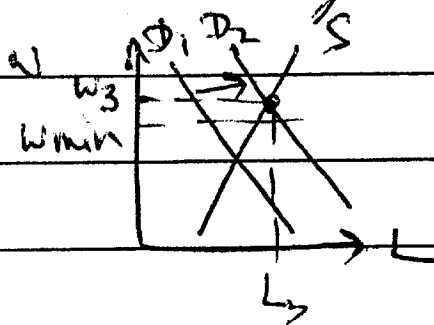
3) C)

increase in
The demand for goods produced leads to an increase in the demand for workers.



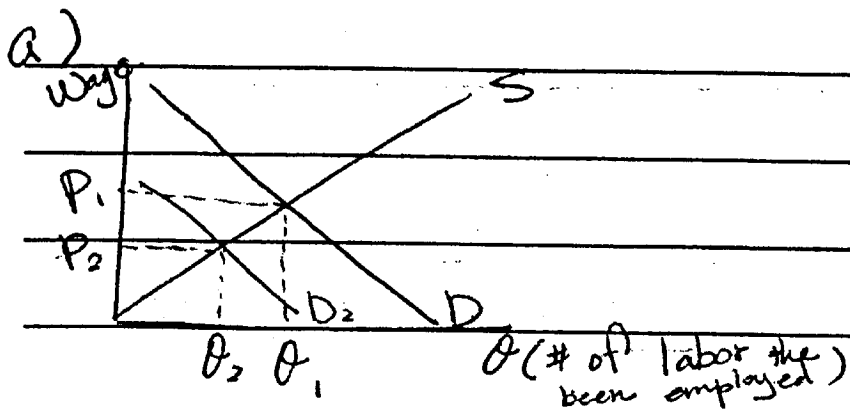
So the demand for workers shifts to the right, employment at the going wage rate w_{min} increases from L_{d1} to L_{d2} .

It may even happen that the demand increases so much that the equilibrium wage rate will be greater than w_{min} and w_{min} will ~~not~~ ^{will} not be ~~effective~~ effective any more, but employment will increase anyway.



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i) As the graph above, the closed plant in Bazra decreases the demand of labor in Bazra, so, the wage rate and # of workers employed in Bazra will decrease.

ii) The number of workers in Bazra looking for work who can't find a job at P_2 in the graph above will increase. Because before the battery manufacturers close the plant, the wage rate is at P_1 which is higher than P_2 , at that time if laborers want to find a job at wage rate P_2 , many companies would like to employ them. But since the plant closed, the wage rate decrease, P_2 is the wage rate of every labor, so the companies won't be interested at it anymore.

b)

i) After the government set the min. wage rate, which is also the price floor of labor, the wage rate will increase, since the government forces companies to raise it. But the number of labor employed will decrease, because the demand of the labor decrease.

ii) The number of workers in Bazra who can't find a job is

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Write in the box the number of the question you are answering on this page as it is designated in the examination.

increasing, since the demand of labor decreases.
quantity

c.) The employment in Bazra will increase again since the demand for goods produced in Bazra increase.