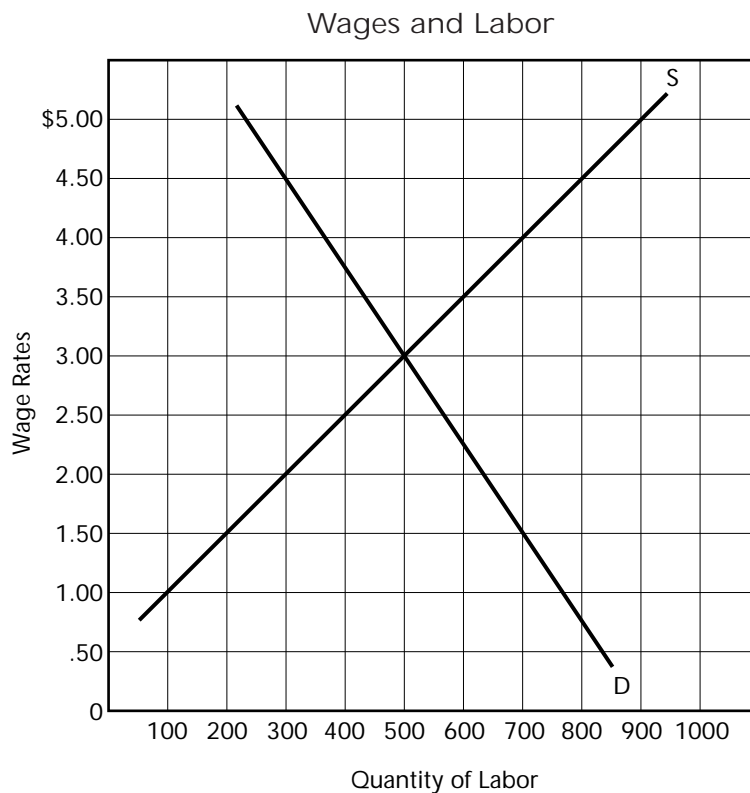


## ACTIVITY 55

# How Wages Are Determined in Competitive Labor Markets



Use the graph *Wages and Labor*, which shows the supply and demand curves for a perfectly competitive labor market, to answer the questions that follow.

1. What are two factors that affect the demand for labor?
2. How does marginal revenue product affect the demand for labor?
3. Why is the demand curve for labor downward-sloping?
4. What determines the supply of labor?

ACTIVITY 55 continued

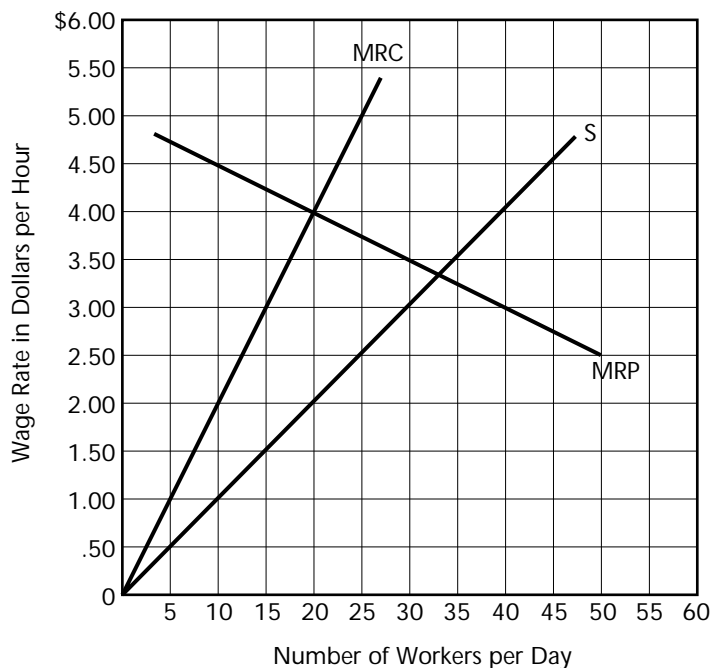
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5. Why is the supply curve for labor upsloping?
  
6. What is the equilibrium wage in this labor market? \_\_\_\_\_
7. How many workers will be hired in this labor market? \_\_\_\_\_
8. If a minimum wage law raises the minimum wage to \$4.50 an hour, what will be the quantity of labor supplied? \_\_\_\_\_
9. At a minimum wage of \$4.50 an hour, what will be the quantity of labor demanded? \_\_\_\_\_
10. How many workers would be laid off or would lose their jobs because of this minimum wage? \_\_\_\_\_
11. How many workers entered the labor force seeking a job because of this minimum wage? \_\_\_\_\_
12. If the demand for labor were more inelastic, would more or fewer workers lose their jobs because of this minimum wage? \_\_\_\_\_
13. Would skilled or unskilled workers be more likely to lose their jobs because of a minimum wage law? \_\_\_\_\_
14. Who benefits from the minimum wage? \_\_\_\_\_
  
15. Who is hurt by the minimum wage? \_\_\_\_\_
  
16. Do you favor a higher minimum wage? \_\_\_\_\_  
Why or why not?

## ACTIVITY 56

# How Wages Are Determined in Monopsonistic Labor Markets

Wages and Workers in a Monopsony



Use the graph *Wages and Workers in a Monopsony*, which represents a monopsonist selling its product in a competitive product market, to answer the following questions. Fill in the answers or cross out the incorrect words in parentheses.

1. What is another name for the marginal revenue product (MRP) curve?
2. Why is the MRP curve downsloping?
3. Why is the supply curve for labor of the monopsonist upsloping?

