

Seven Microeconomic Questions

Name

Institution

Date

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Question 22

22. Table: All-Stars

Number of All-Star Quality Pitchers	Marginal Product of Labor (MPL per season, millions)
1	\$20
2	15
3	7
4	3
5	1
6	0.50

Reference: Ref 18-1

(Table: All-Stars) Refer to the table. A Major League Baseball team is considering increasing the quality of its pitching staff by hiring all-star quality pitchers. If the going salary for an all-star pitcher is \$12 million per season, this team will hire _____ pitchers.

Answer: 2 pitchers

Justification; the marginal product of labor declines as more labor is engaged. Therefore, the firm will continue to hire laborers until the wage rate is less than the Marginal Product of Labor ($\text{Wage Rate} < \text{MPL}$). The All-Star company should hire a maximum of two pitchers because the MPL for the two laborers (15) is greater than the current salary of \$12 million per season. Consequently, an additional third pitcher result in a lesser MPL of 7, which equates to a loss for the All-Star company.

Question 26

26. Which of the following does not represent a human capital labor market issues?

- ☒ all jobs have the same danger level
- ☐ a college education
- ☐ a government retraining program
- ☐ skills gained while working on the job

Answer: All jobs have the same danger lever

Justification: Human-capital labor market issues relate to factors that enhances the efficiencies and supply of the laborers in an economy. Therefore, a college education, government retraining program, and on-the-job skills enhances both the effectiveness as well as the quantity of work forces in an economy.

Question 27

27. If the price of output in an industry falls, firms in that industry will _____ labor.

- ☐ increase their supply of
- ☐ increase their demand for
- ☒ decrease their demand for
- ☐ decrease their supply of

Answer: Decrease their Demand for Labor

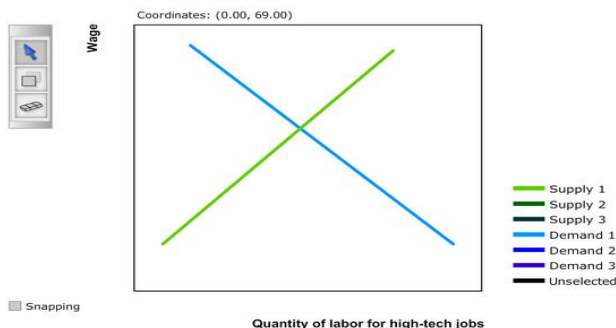
Justification: The demand and supply of labor in an economy is dependent on the intersection of the two market forces. A fall in the price of the output in an industry implies loss making, which tend to decrease the overall demand for the labor because of the possible layoff of employment.

Question 31

31. The following diagram illustrates the supply and demand for labor for high-tech jobs in the United States.

Part 1: Suppose that both Intel and Advanced Micro Devices, Inc. (AMD) move their computer chip design and manufacturing plants from the U.S. to Taiwan. Use the copy tool to show how the model would adjust in response to this change. Label this new curve either Supply 2 or Demand 2.

Part 2: Assume that there is an increase in the number of college students graduating with engineering and computer science degrees. Use the copy tool to show the impact of this development on the model and its impact on high tech wages in the U.S. Label this new curve either Supply 3 or Demand 3.



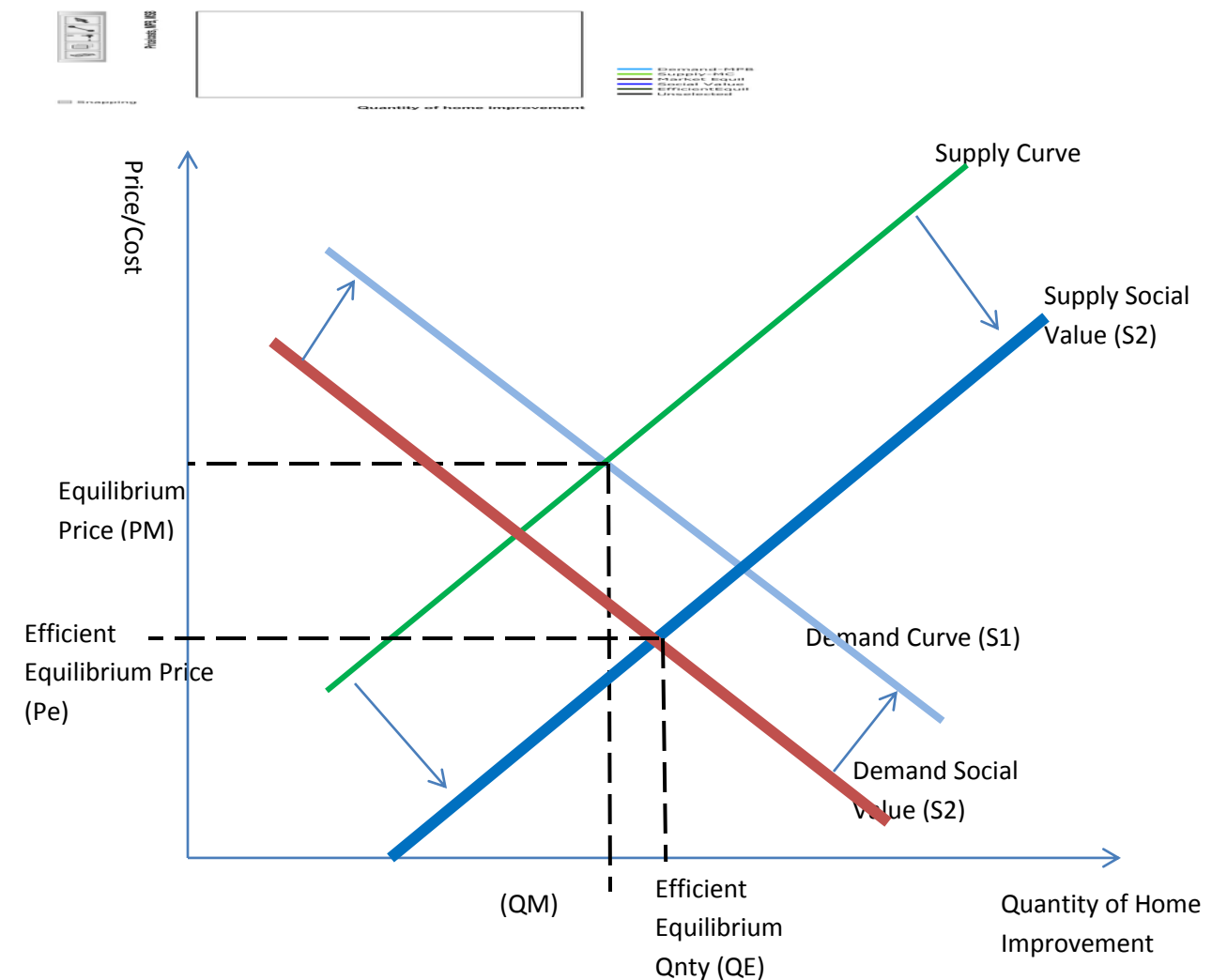
Answers:

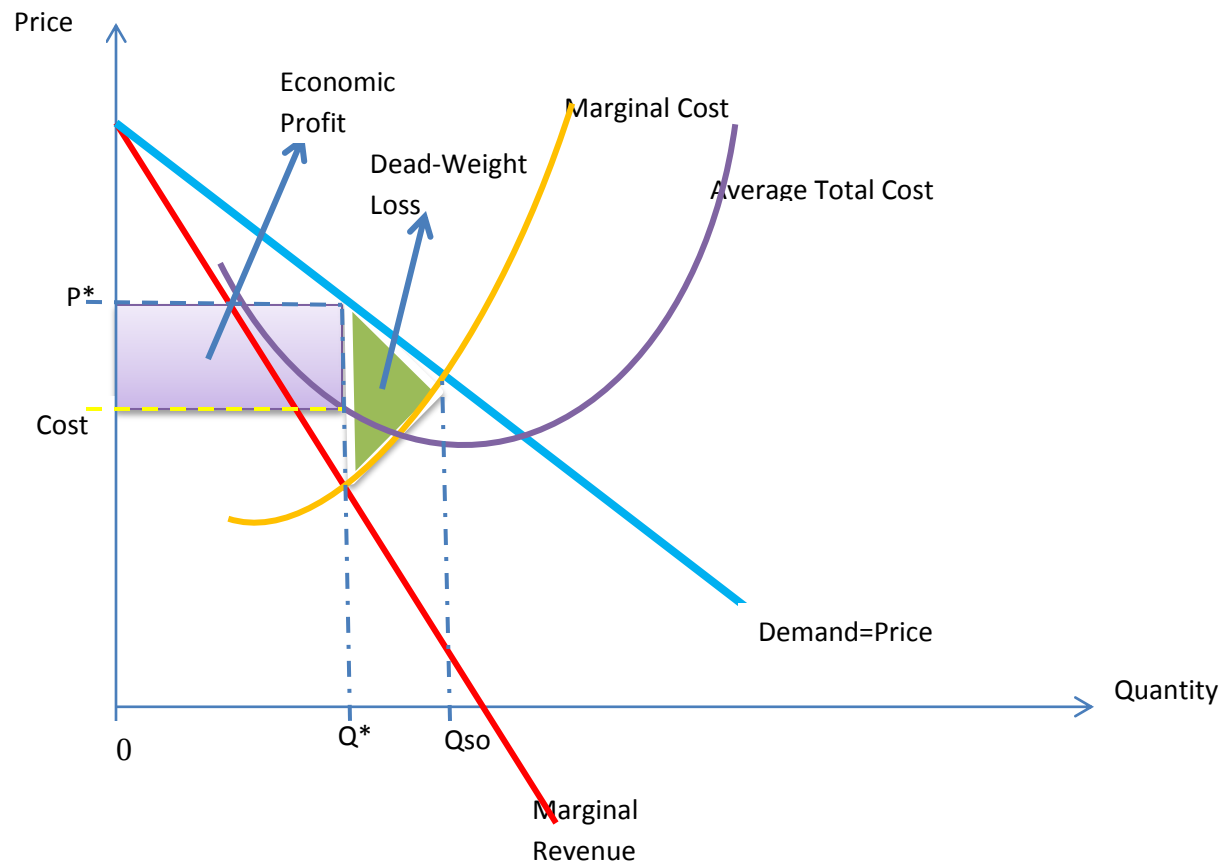
PART 1: The event reduces the demand for the high-tech job in the United States (Demand 2)

PART 2: The event increases the supply for the high-tech job in the United States and reduces the wage-rate in the long-term (Supply 3)

Question 32

32. Individual home values depend, among other things, on the condition of the neighborhood surrounding your home and that you are thinking of putting it up for sale.
Part 1: Draw the supply and demand curves for home sales in your area.
Part 2: Use the double drop line tool to identify the market equilibrium quantity and price (Q_M & P_M).
Suppose that several of your neighbors spend the summer fixing up their yards and painting their homes.
Part 3: Draw a curve showing the social value from their neighborhood renewal efforts.
Part 4: Use a double drop line tool to identify the efficient equilibrium quantity and social value (Q_E & P_E).
Make sure that you have labeled everything appropriately.



Question 33

Question 34