Wilf Csaplar Jr.   Economics 304   Homework #5   Due Wednesday 3/23

Place your name on the back of this sheet of paper and nowhere else. Staple your answers face up on the front of this sheet of paper. Failure to follow these directions will cost you 1 point. Your assignment will be typed, except graphs can be drawn by hand and mathematical equations can be done by hand. Failure to type it will cost you 10 points. If you use double-sided printing or print on the back of scrap paper, I will give you one additional point.

1) (20 points) Draw the labor supply/demand for a firm with a monopolistic final product but is perfectly competitive in the hiring of labor. Show that the wage is below the value of the laborer. Explain the economic reason that the firm hires too few people. (Note: this is not the monopsony situation.)

2) (25 points) Draw the supply and demand for land. Explain why it takes its shape. Show the economic rent. Explain how you found it. Would your diagram be the same if this was supply and demand for buildings? Explain your logic.

3) (15 points) Use an appropriate graph to show why an employer who pays too little will have a shortage of skilled workers. Explain how your graph shows that.

4) (25 points) Draw the diagram for a monopsony purchasing and input. Explain how you found the quantity bought and the price paid. What would happen if there was a price floor? Explain how that changes the diagram. What happens to the quantity bought and the price paid? (Note: example 14.5 attempts to explain it using Figure 14.14, but never really explains how the diagram changes so that the results they describe are achieved.)

4) (15 points) Why does a monopsony have MV = ME? Why is MV = MRP?