

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 10 points. Your assignment will be typed, except graphs can be drawn by hand and mathematical equations can be done by hand. Failure to type this assignment 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 two different MRP_L curves for two firms. Find the total demand for labor assuming that there are only the two firms and the price of the final product does change. State how you found that demand curve. If we relaxed the assumption that the price of the final product does not change, how would the graph change? Explain your logic.
- 2) (30 points) Draw a budget constraint/indifference curve diagram for income and leisure. Illustrate the effects of a pay raise. Explain why the curve(s) moved as drawn. Draw the necessary lines to find the income and substitution effects. Explain how you found the effects. Given your diagram, is the person in the upward sloping or backwards bending part of the labor supply curve? Explain your logic.
- 3) (20 points) Draw a MV/AE diagram for a firm which has monopsony power in hiring a type of labor. Find the equilibrium quantity and wage. Explain how you found them.
- 4) (10 points) What might cause a firm to have monopsony power in hiring labor? Explain your logic.
- 5) (20 points) The article below talks about union negotiations at U Pitt. In the last section in the article, they discuss the School of Medicine at U Pitt. Use a diagram have in this chapter to illustrate their concerns. Explain how it might relate to what they wrote.
<https://www.utimes.pitt.edu/news/union-bargaining-chair>