

Do NOT write your name anywhere. (Canvas will tell me who turned in the assignment.) All answers must be typed, except for mathematics and graphs. Take pictures of your written answers and use your own software or to create a single PDF size A4 or 8.5" x 11". At the top of my [webpage](#), I list several online sources which will convert pictures to pdfs, merge pdfs, and resize them. However, Apple phones may require using [CamScanner](#) before using the online sources. Failure to follow these directions will cost you 10 points.

1) (15 points) Why does the industry pay the MPL and why does agriculture in developing countries pay the APL? Explain your logic.

2) (25 points) Draw the Two-Sector Labor Supply diagram **without** a minimum wage. Illustrate the effects of an increase in the  $MPL_A$ . Explain why the curve(s) moved as drawn. What happens to the wage in industry, the wage in agriculture, the amount of labor in industry, and the amount of labor in agriculture? Briefly state how you found each answer.

3) (25 points) Draw the Two-Sector Labor Supply diagram **with** a minimum wage. Illustrate the effects of an increase in the population. Explain why the curve(s) moved as drawn. What happens to the wage in industry, the wage in agriculture, the amount of labor in industry, and the amount of labor in agriculture? Briefly state how you found each answer.

4) (20 points) Explain why  $MSC = MSB$  is the socially optimal point. In the graph for Question #2, is social optimality achieved? Briefly explain your logic.

5) (15 points) The Washington Consensus said that the government should reorder its expenditures. What are one category they should reduce and one they should increase? Explain how that would help the economy.