

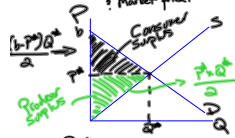
Microeconomics Snake Eyes Lazy
10+11 9+1 10+

Last class

- Consumer & Producer surplus

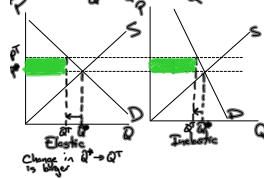
- Consumer surplus

- The difference between what you are willing to pay & market price.



- Producer surplus
- Difference between the price firms are willing to sell for and the market price.

- Taxation
- Excise - per unit tax
- Tariffs - tax on traded goods
- Income - annual taxes



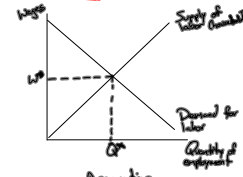
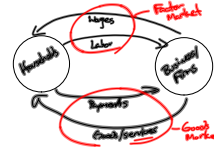
Today

- Labor economics
 - Wages (supply + demand)
 - Unemployment (shortages)
 - Wage inequality (supply + demand)
 - Minimum wage (price floors)

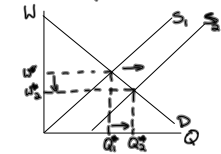
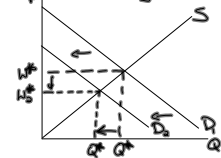
Labor markets

- Supply of labor
 - Households supply labor
- Demand of labor
 - Firms demand labor

→ Labor market is a factor market



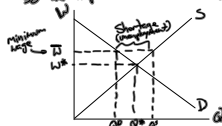
Accounting



Why would the supply curve increase?

- ① Expectations
- ② Wages of other fields

Suppose the wage is 'too low' so we implement a minimum wage.

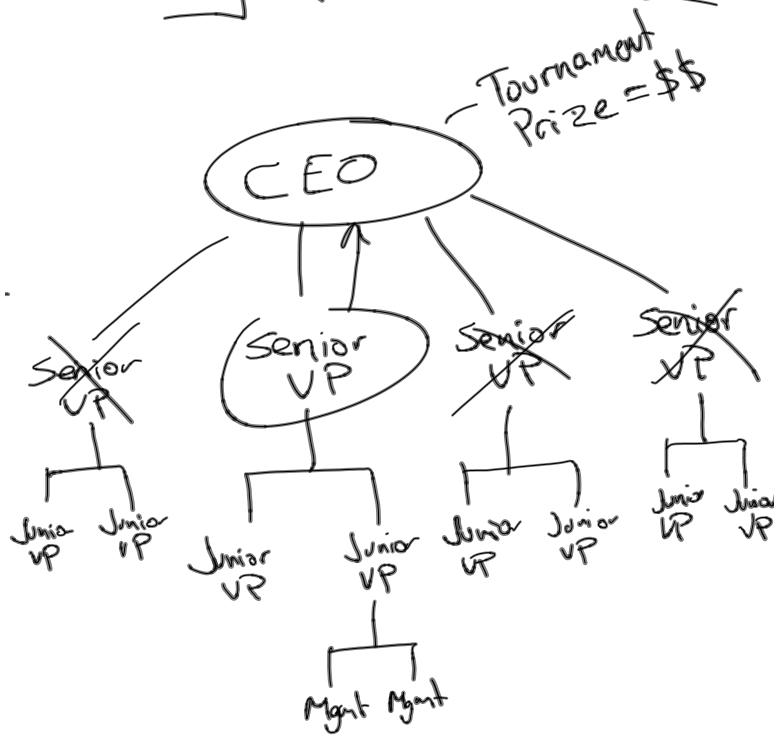
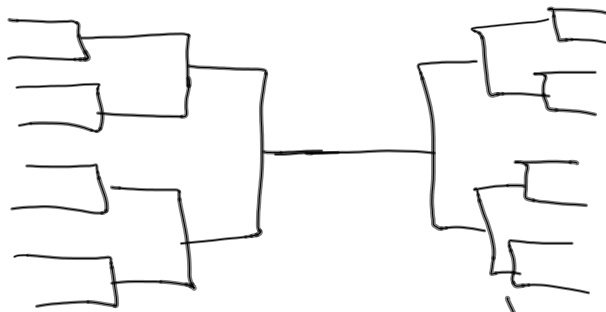


Super-rich (1%) Top 1% of income
 The rest (99%) CEOs, Sports, etc

Tournament Wages

↳ For labor markets of leaders, executives, or "best" candidates

↳ Think of any tournament



Other consequences of tournament wages:

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Homework 2: Supply & Demand

ECON 102 – Microeconomics
Professor Schenk
Due: November 8, 2011

1. Consider the following market supply and demand schedule:

Price	Quantity Demanded	Quantity Supplied
10	100	20
20	75	50
30	50	80
40	25	110

(a) Draw the supply and demand curves with the y-axis labeled “price” and x-axis labeled “quantity.”
 (b) What is the approximate equilibrium price?
 (c) Approximately how many units will be sold at the equilibrium price?

2. Using your answer from above, plot the following demand curve on the same graph from question 1.

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10	50
20	80
30	110
40	155

(a) What is the approximate new equilibrium price and quantity?
 (b) Did the supply curve shift to the left or the right?
 (c) What was the change in quantity demanded? What was the change in demand?
 (d) Did price increase or decrease?

3. At an Iowa State football game, 40,000 tickets were sold at \$30 a piece. The game was sold out and some people did not get tickets even though those individual were willing to pay at least \$30. This suggests the selling price:

(a) was at equilibrium
 (b) was below equilibrium
 (c) was above equilibrium
 (d) could not have been any higher

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The screenshot shows a Windows Internet Explorer browser window. The address bar contains the URL: <http://tomschenkjr.files.wordpress.com/2011/10/econ-102-hw2-fall-2011.pdf>. The browser interface includes a search bar, navigation buttons, and a toolbar. The main content area displays a PDF document with the following text:

4. In 1990 the United Nations (UN) placed trade sanctions on Iraqi oil. In 1996, Iraq was allowed limited exports of oil to make war reparations. What was the effect of the two events on equilibrium price and quantity of oil?

- (a) Price fell initially, then rose; quantity fell and then rose.
- (b) Price fell initially, then rose; quantity rose and then fell.
- (c) Price rose initially, then fell; quantity fell and then rose.
- (d) Price rose initially, then fell; quantity rose and then fell

5. When the UN allowed Iraq to export some oil, was there a change in demand or quantity demanded? Was there a change in supply or quantity supplied?

6. On August 9, 2011, the *Des Moines Register* reported gas prices will fall from \$3.90 to \$3.41 per gallon. The textbook reported the elasticity of demand for gasoline in 0.08. The United States consumed 9 million barrels of oil per day.

- (a) Calculate the percent change in price for gasoline per gallon.
- (b) Will gasoline consumption rise or fall?
- (c) By how much? (as a percentage)?
- (d) How many barrels of oil will the U.S. consume with the price change?
- (e) Will total revenue for gasoline manufacturers rise or fall? Explain why using supply, demand, and elasticities

The browser's status bar at the bottom shows "Done" and "Unknown Zone".

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Calculator

Backspace CE C

MC 7 8 9 / sqrt

MR 4 5 6 * %

MS 1 2 3 - 1/x

M+ 0 +/- . + =

Des Moines Register reported gas prices will fall from \$3.90 to \$3.41. The elasticity of demand for gasoline is 0.08. The United States consumes 10 million barrels of oil per day.

What is the percent change in price for gasoline per gallon?

Assume a 1% increase in price. Will the quantity demanded increase or decrease with this assumption? Will the price of that good increase or decrease with this assumption? Draw a graph to support your answer.

What is the percent change in price for gasoline per gallon? (Handwritten: $\frac{3.41}{3.90} - 1$)

(c) How many barrels of oil will the U.S. consume with the price change?

(e) Will total revenue for gasoline manufacturers rise or fall? Explain why using supply, demand, and elasticities.

(f) Name a substitute good for gasoline. Will the price of that good increase or decrease with the price change? Draw a graph to support your answer.

(f) Name a complementary good. Will the price of that good increase or decrease with the price change? Draw a graph to support your answer.

7. Presume the market demand curve can be written:

$$Q_d = 31 - \frac{p}{2}$$

where Q_d is the amount demanded at price p . Also, let the supply curve be:

$$Q_s = -3 + 8p$$

where Q_s is the amount supplied at price p .

(a) Draw the demand curve for prices between \$0 and \$10.

(b) Draw the supply curve for prices between \$0 and \$10.

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6. On August 9, 2011, the *Des Moines Register* reported gas prices will fall from \$3.90 to \$3.41 per gallon. The textbook reported the elasticity of demand for gasoline in 0.08. The United States consumed 9 million barrels of oil per day.

(a) Calculate the percent change in price for gasoline per gallon. -10.5%

(b) Will gasoline consumption rise or fall?

(c) By how much? (as a percentage)? $-10.5\% \times 0.08 = 0.008 = 0.8\%$

(d) How many barrels of oil will the U.S. consume with the price change?

(e) Will total revenue for gasoline manufacturers rise or fall? Explain why using supply, demand, and elasticities.

(f) Name a substitute good for gasoline. Will the price of that good increase or decrease with the price change? Draw a graph to support your answer.

(f) Name a complementary good. Will the price of that good increase or decrease with the price change? Draw a graph to support your answer.

9 million
+0.8% change
= 9 million x 1.008
= 9.072 million

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7. Presume the market demand curve can be written:

$$Q_d = 31 - \frac{p}{2}$$

where Q_d is the amount demanded at price p . Also, let the supply curve be:

$$Q_s = -3 + 8p$$

where Q_s is the amount supplied at price p .

(a) Draw the demand curve for prices between \$0 and \$10.
 (b) Draw the supply curve for prices between \$0 and \$10.
 (c) What is the price where there will be no leftover goods in the market?
 (d) How many goods will be sold at that price?

When $p=0$, $31 - \frac{0}{2} = 31$ When $p=1$, $31 - \frac{1}{2} = 30.5$
 When $p=0$, $-3 + 8(0) = -3$ When $p=1$, $-3 + 8(1) = 5$
 When $p=2$, $-3 + 8(2) = 13$

P	Q_d	Q_s
0	31	-3
1	30.5	5
2	30	13
3	29.5	21
4	29	29
5	28.5	37
6	28	45

29

You're done!

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CS = $\frac{(\$12 - 5) \times 400}{2}$

Deadweight $\frac{[(\$8.15 - 5) \times (400 - 220)]}{2}$

PS = $\frac{(5 - 2) \times 400}{2}$

Supply $\frac{(5 - 3.65) \times (400 - 220)}{2}$

Demand

Price: \$12, 8.15, 5, 3.65, 2

Quantity: 220, 400

2. Refer to the graph above. Assume the market is in equilibrium, calculate the consumer surplus.

3. Refer to the graph above. Assume the market is in equilibrium, calculate the producer surplus.

4. Refer to the graph above. Assume that the government has imposed a \$3.15 tax on each unit sold.

a. Calculate the tax revenues received by the government. $\rightarrow (\$8.15 - 5) \times 220$

b. Calculate the new consumer surplus with the tax. $\rightarrow \frac{[(12 - 8.15) \times 220]}{2}$

c. Calculate the new producer surplus with the tax.

d. Calculate the deadweight loss with the tax.

New PS $\frac{(\$5 - 3.65) \times 220}{2}$

$\frac{(\$3.65 - 2) \times 220}{2}$

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Earnings and Unemployment by Major « Tom Schenk Jr. - Windows Internet Explorer

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Kindle Fire may not be an iPad killer in a technical sense, but inexpensive and affordable hardware is what killed Apple in the first place
6 hours ago

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There is a relative floor at \$40,000 with a wide variation of unemployment (poor clinical psychology). There is a negative correlation between earnings and unemployment rate, but it might be too presumptuous to presume that high-paying majors get their cake and eat it too. Depending on the methodology, the higher earnings might simply reflect the fact they have a job.

Of course, median earnings is only one dimension. Below shows a messy graph that also

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Spread out

2 to 3 per row