ECO 120: Global Macroeconomics **Name:** ____________________

Week 6 Homework: Market for Labor

1. Suppose there is an increase in global energy costs which makes it more expensive to run factories. Describe and illustrate the impact on equilibrium wages and employment in the manufacturing industry.

2. Suppose there is an increase in taxes to businesses on proprietorship income and corporate revenue (i.e an increase in taxes on revenue earned by businesses). Describe and illustrate the impact on equilibrium wages and employment.

3. Suppose an increase in immigration leads to both more workers entering the labor force and an increase in demand for final goods and services. Describe and illustrate the impact on equilibrium wages and employment.

4. Suppose new technologies in factory automation decreases the need for as many factory workers. Describe and illustrate the impact on equilibrium wages and employment in manufacturing industries.

5. Following COVID-19, fewer Americans in the working age population have chosen to participate in the labor force. The labor force participation rate declined from 63.3% in February 2020 to 61.4% in February 2021. Describe and illustrate the impact on wages and employment, both when wages are sticky, and after wages have had time to move to new equilibrium levels. Draw two sets of graphs to illustrate your answer.

6. Suppose the aggregate labor market is initially in equilibrium when consumer confidence falls, leading consumers to want to spend less and save more as a precautionary measure. Describe and illustrate the impact on wages and employment, both when wages are sticky, and after wages have had time to move to new equilibrium levels. Draw two sets of graphs to illustrate your answer.