

ECO 120: Macroeconomics

Name: _____

In-class Exercise

Labor Markets

Directions: Work in groups of up to four people and answer the following questions. *When using graphs, you must clearly and correctly label all axis and curves to receive non-zero credit for an answer.* All papers will be collected, but only one member's paper will be randomly selected and graded and all members of the group will receive the same grade.

By signing below, you agree that the following work represents the efforts of everyone in the group, and you are willing to accept as your own grade for the group project the grade earned from this representation of your group's work. Every member must agree to these terms to earn a non-zero grade for this assignment.

_____ Signature Group Member 1	_____ Print Name	_____ Date
_____ Signature Group Member 2	_____ Print Name	_____ Date
_____ Signature Group Member 3	_____ Print Name	_____ Date
_____ Signature Group Member 4	_____ Print Name	_____ Date

- (c) Combine your answers from (a) and (b) and illustrate and describe the impact on the labor market. What is the impact on wages and employment in equilibrium?
4. Illustrate and describe the effect of a decrease in taxes on proprietorship income and corporate profits on the labor market. What is the impact on wages and employment in equilibrium?
5. Illustrate and describe the effect of a decrease in demand for workers by state and local governments. What is the impact on wages and employment in equilibrium?

6. Suppose a labor market is currently in equilibrium when there is a decrease in demand for final goods across the economy.
- (a) Illustrate and describe the impact on the labor market. What is the impact on wages and employment in equilibrium?
- (b) Suppose that resistance among employers and employees prevents the wage level from falling, so that in the short run the economy is away from its equilibrium. How does the quantity of labor demanded compare to the quantity of labor supplied? How is this situation often described?
- (c) Suppose eventually wages across the economy were allowed to fall. What would be the impact on the level of employment?

7. How do you think “jobs are created” in the economy? Who is responsible for “creating jobs”?

8. What learning objective(s) for this class do you feel you have made progress on by completing this assignment? Provide a short description arguing why you feel these learning objectives were met.