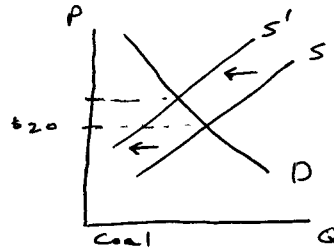
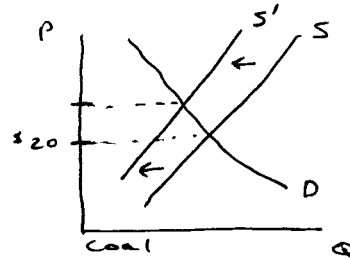


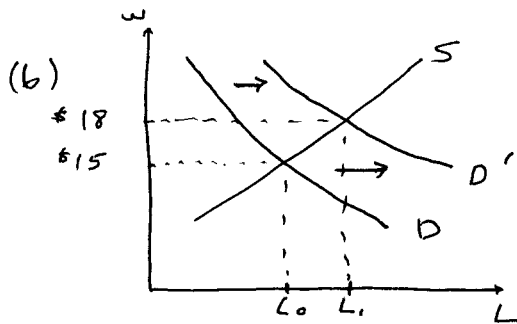
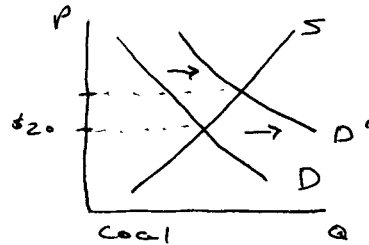
1. (a) mine workers go on strike:
supply decreases



flooding on the Mississippi disrupt coal shipments:



harshly cold winter and very hot summer:
greater electricity usage

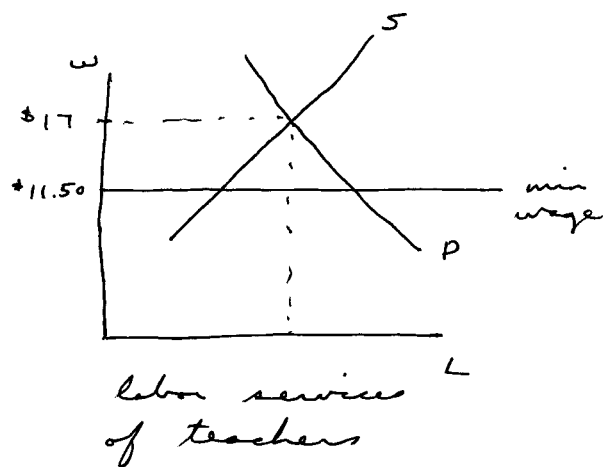
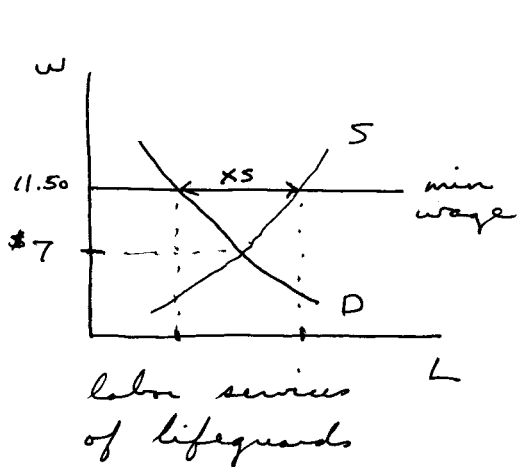


Market for labor services of persons employed in transporting coal

w = wage rate
 L = labor services measured in hours worked

As industry output of coal expands, the demand for inputs used to produce and supply coal increases. This leads to higher wages and greater employment.

2.



More people will want to work as lifeguards at \$11.50 per hour than the city wants to employ, so there will be a surplus.

No effect on the market for school teachers, because the market-clearing wage rate is already well above the "living wage."

If garbage collectors currently earn \$8.00 per hour working for the city, and the living wage ordinance causes the city to have to pay them \$11.50 per hour, it will be tempting to city council to "contract out" garbage collection. In other words, hire private contractors who can pay their workers \$8.00 to collect garbage. To prevent or reduce the attractiveness of this alternative, the municipal workers' union will want to make sure that firms that contract with the city are also required to pay a "living wage."

$$3. \quad E_{x, P_x} = \frac{7.0 \cdot \Delta Q_x}{7.0 \cdot \Delta P_x} = \frac{\frac{\Delta Q}{\frac{1}{2}(Q_0 + Q_1)}}{\frac{\Delta P}{\frac{1}{2}(P_0 + P_1)}} = \frac{6\%}{\frac{.90}{\frac{1}{2}(2.00 + 1.10)}}$$

$$E_{x, P_x} = \frac{6\%}{58\%} = .10, \text{ or very inelastic.}$$

Lack of good substitutes for pepper and small share of budget spent on pepper probably account for this number.

$$4. \quad E_{x, I} = \frac{7.0 \cdot \Delta Q_x}{7.0 \cdot \Delta I_{\text{income}}} = \frac{\frac{-4}{\frac{1}{2}(30 + 26)}}{\frac{5000}{\frac{1}{2}(15000 + 20000)}}$$

$$E_{x, I} = \frac{\frac{-4}{28}}{\frac{5000}{17,500}} = -0.5, \text{ so hot dogs are an } \underline{\text{inferior}} \text{ good for consumers with incomes between } \$15,000 \text{ and } \$20,000.$$