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 a tax cut to businesses on proprietorship income and corporate revenue (i.e a decrease in taxes on revenue earned by businesses). Describe and illustrate the impact on equilibrium wages and employment.

3. Suppose there is a decrease in stock market values which results in a decrease of wealth for consumers, leading both to an increase in desire for people near retirement age to work longer and a decrease in demand for final goods and services.

4. 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.

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 equilibrium wages and employment.

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. If wages are sticky, describe and illustrate the impact on employment, unemployment, and wages.