

Human Resources

Homework 3

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Answer following questions on separate sheets of A4 papers. Answer should be in English. You may discuss questions with your friends, but you have to submit your own answer. Just copying your friends' answer will be harshly punished. **The due date is 2/10/2005.** You must submit your answer in the class.

1. Borjas, 3rd edition, p. 203, Problem 5 (2pts)

Suppose a firm is a perfectly discriminating monopsonist. The government imposes a minimum wage on this market. What happens to wages and employment?

2. Borjas, 3rd edition, p. 203, Problem 8 (3pts)

Chicken Hut faces perfectly elastic demand for chicken dinners at a price of \$6 per dinner. The Hut also faces an upward-sloping labor supply curve:

$$E = 20w - 120$$

Where E is the number of workers hired each hour and w is the hourly wage rate. Thus, the Hut faces an upward-sloping marginal cost of labor curve given by:

$$MC_E = 6 + 0.1 E.$$

Each hour of labor produces 5 dinners. (The cost of each chicken is \$0 as the Hut receives two-day-old chickens from Hormel for free.) How many workers should Chicken Hut hire each hour to maximize profits? What wage will Chicken Hut pay? What are Chicken Hut's hourly profits?

3. Borjas, 3rd edition, p. 205, Problem 12 (5pts, 2pts for medical reason, 3pts for economic reason.)

In the United States (also in Japan), some medical procedures can be administered to a patient only by a doctor while other procedures can be administered by a doctor, nurse, or lab technician. What might be the medical reasons for this? What might be the economic reasons for this?