

U.s. department essay sample

[Economics](#), [Trade](#)



1. (Resource Demand) How do firms and individuals determine if it's worth it to (a) invest in capital improvements, (b) hire additional workers, or (c) decide where to work? Briefly explain. Answer -

Firms and individuals determine if it's worth it to invest in capital improvements when the marginal product of capital is more than the interest paid on each unit of capital. Similarly, when the marginal product of labor is more than the wage rate of each unit of labor, until then the firms and individuals will keep on hiring additional workers. The individual will decide to work till the point where his wage rate received is more than the tax rate paid.

2. (Shifts of Resource Demand) A local pizzeria hires college students to make pizza, wait on tables, take phone orders, and deliver pizzas. For each situation described, determine whether the demand for student employees by the restaurant would increase, decrease, or remain unchanged. Briefly explain each answer.

a. The demand for pizza increases.

Answer - when the demand for pizza increases, then the demand for student employees by the restaurant would increase as it would need more people to work to meet the increased demand for pizza. b. Another pizzeria opens up next door.

Answer - Since, there is introduction of substitute goods which increases the competition in the pizza market. Our restaurant will reduce the price of its pizza, therefore this cost-cutting will be adjusted by reducing the number of student employees hired for pizza delivery. c. An increase in the minimum

wage raises the cost of hiring student employees. Answer - When the minimum wage rises, it will lead to increase in the cost of hiring student employees, therefore the demand for student employees will reduce. d. The restaurant buys a computer system for taking phone orders. Answer - Increase in technology level will lead to reduction in the number of employees hired.

3. (Selling Output as a Price Taker) If a competitive firm hires another full-time worker, total output increases from 100 units to 110 units per week. Suppose the market price of output is \$25 per unit. What is the maximum weekly wage at which the firm would hire that additional worker?

Answer - Marginal product of labor per week = \$250

Therefore, maximum weekly wage at which the firm would hire that additional worker would be \$250.

4. The Occupational Outlook Handbook (OOH) is a U. S. Department of Labor publication that projects employment trends. Go to [http://www. bls. gov/oco/oco2003. htm](http://www.bls.gov/oco/oco2003.htm) and answer the following question: What are the tomorrow's jobs? What role does derived demand play? How about technological change? I AM NOT ABLE TO OPEN THE GIVEN URL

5. In the news...Please click on the following and answer the question below
Question:

Much has been written about the impact of rising jet fuel prices on the operation of airlines. What impact do you think this would have on the demand for labor by American Airlines?

Answer - Rising jet fuel prices would impact the operation of airlines by making it more expensive now. American Airlines would start cutting the demand for labor because it would start cutting the cost of operation of airlines.

6. (Substitution and Income Effects) Suppose that the cost of living increases, thereby reducing the purchasing power of your income. If your money wage doesn't increase, you may work more hours because of this cost-of-living increase. Is this response predominantly an income effect or a substitution effect? Briefly explain.

Answer - Reduction in purchasing power of income due to increase in cost of living is the income effect as there is fall in the real income of the individuals. Now, when the individual substitute its leisure with the working hours, then there arises a substitution effect.

7. (Nonwage Determinants of Labor Supply) Suppose that two jobs are exactly the same except that one is performed in an air-conditioned workplace. How could you measure the value workers attach to such a job amenity? Answer - The workers would like to work in a conducive environment where they have ample amount of amenities available. The supply of labor for such workplace would increase at a given wage rate.

8. (Craft Unions) Both industrial unions and craft unions attempt to raise their members' wages, but each goes about it differently. Explain the difference in approaches and describe the impact these differences have on excess quantity of labor supplied.

Answer - Craft unions have frequently forced employers to agree to hire only union members, thereby gaining virtually complete control of the labor supply. Then, by following restrictive membership policies such as limiting the number of new members getting admitted, they artificially restrict labor supply. Therefore, by excluding workers from union and therefore from the labor supply, crafts union succeed in elevating wage rates. An industrial union that includes virtually all available workers in its membership can put firms under great pressure to agree to its wage demands. Because of its legal right to strike, such a union can threaten to deprive firms of their entire labour supply, and an actual strike can do just that.

9. Why do you think the role of the unions in the US has declined over the years? Briefly discuss.

Answer -

The role of labor unions in the U. S has declined over the years because of strong government policies, unfavorable working and law environment for labors, increased labor hostility, and high levels of unfair labor practices. The Taft-Hartley Act of 1947 placed draconian restrictions on union activities, including picketing and strikes, and gave the green light to state right-to-work laws that barred union shops.

10. What is the difference between mediation and binding arbitration? What is the role of a strike in the bargaining process? Briefly discuss.

Answer - Mediation is the voluntary dispute resolution process. Binding arbitration means settling down of dispute between the parties by another

neutral party. The decision is confirmed by the court and carries the same significance as a court judgement.