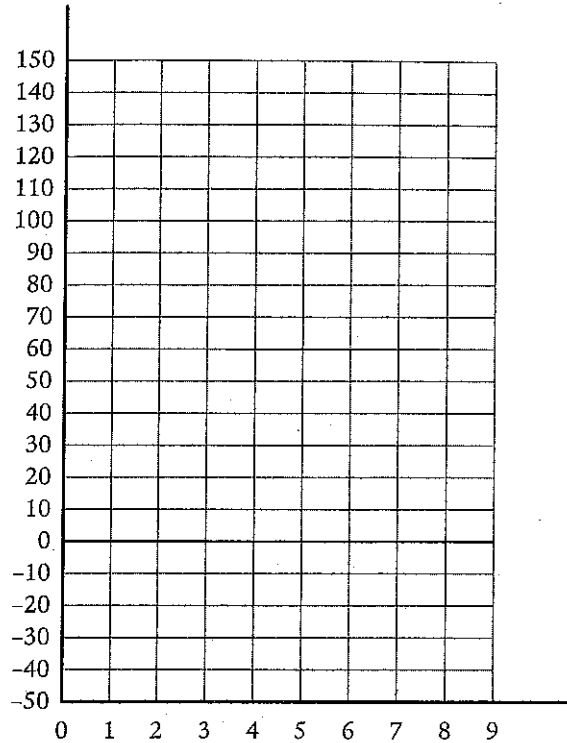


Problem Set 6.4

Changing Marginal Physical Product and Product Price

1. Use economic terminology to explain how a worker training program that increased the productivity of labor would affect the demand for labor?
2. Suppose that starting with the data from Problem Set 6.3, workers become twice as productive after completing a training program. Calculate the new value of their marginal product and regraph the demand for labor that would result.



QUANTITY OF RESOURCE	TOTAL PRODUCT		MARGINAL PRODUCT		PRODUCT PRICE		VALUE OF MARGINAL PRODUCT	
	OLD	NEW	OLD	NEW	OLD	NEW		
0	0	_____						
1	5	_____	5	_____	5	_____	_____	_____
2	15	_____	10	_____	5	_____	_____	_____
3	30	_____	15	_____	5	_____	_____	_____
4	40	_____	10	_____	5	_____	_____	_____
5	45	_____	5	_____	5	_____	_____	_____
6	45	_____	0	_____	5	_____	_____	_____
7	40	_____	-5	_____	5	_____	_____	_____

3. How would an increase in the price of the product being sold affect the demand for labor?

4. Starting with the original marginal physical product numbers from Problem Set 6.3, calculate the effect of an increase in the product price from \$5.00 to \$7.50 and re-graph the demand for labor that would result.

