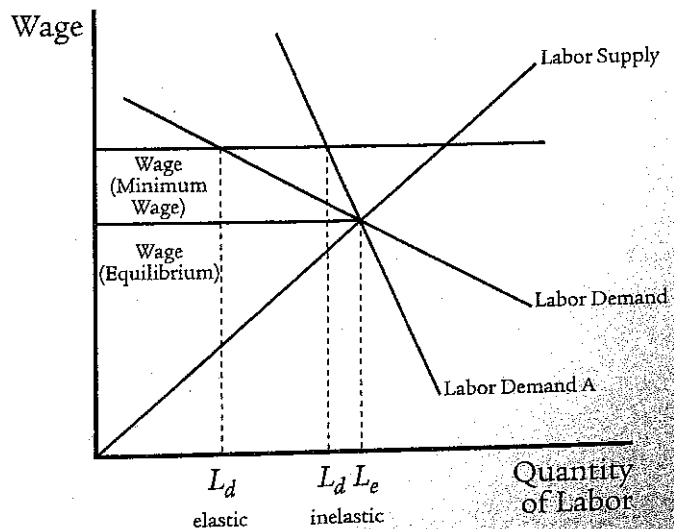
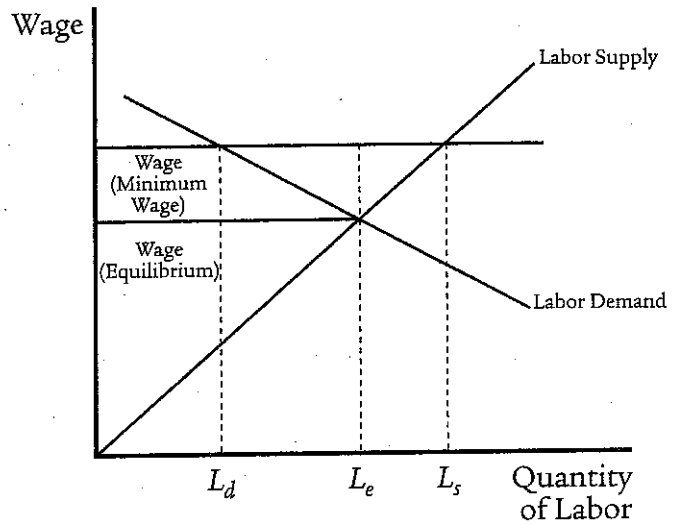


Problem Set 6.6

The Unemployment Rate and the Minimum Wage

Use the information in the graph below to answer the following questions. Please refer to the letters provided along the horizontal axis when discussing quantities of labor.

1. What is the quantity of labor employed at the equilibrium wage?
2. If a minimum wage is set at Wage (minimum wage), what would be the quantity of labor demanded?
3. If a minimum wage is set at Wage (minimum wage), what would be the quantity of labor supplied?
4. How many people would become unemployed as a result of the minimum wage?
5. Of those who became unemployed, how many had a job and then lost that job as a result of the minimum wage?
6. Referring to the graph below, if a minimum wage is imposed as shown, how will its effect be different if the demand for labor is represented by Labor Demand A versus Labor Demand B?



7. Opponents of a minimum wage law would argue that the demand for labor more closely resembles which labor demand curve?

8. Proponents of a minimum wage law would argue that the demand for labor more closely resembles which labor demand curve?