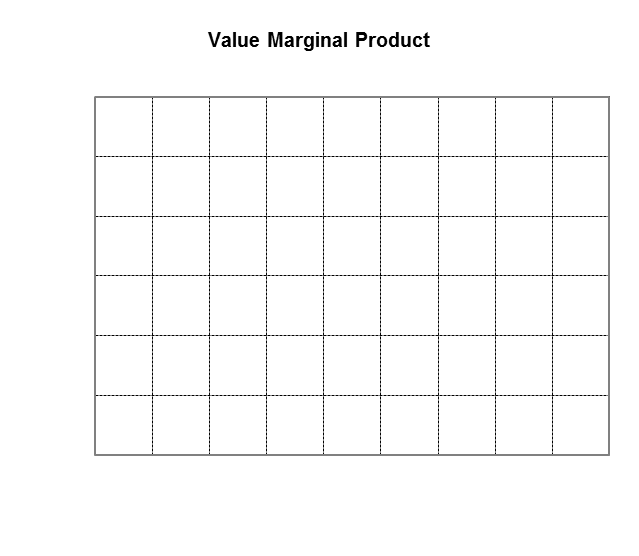
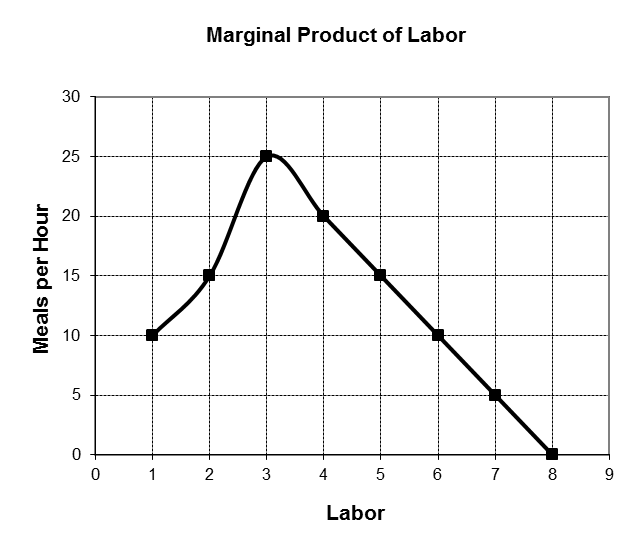
Quiz #8

I own a restaurant and the curve on the left depicts how many meals I can produce in an hour (MP of labor curve if I hire differing numbers of workers. (*Meals/hr* on the vertical axis and *people* on the horizontal) My crappy meals sell for $4. 1) Use that information to develop the VMP of labor curve and to label the axes (and units) appropriately.

2) If I’m a profit-maximizing employer and I can hire all the workers I want at $19/hr., how many workers should I hire? Explain why.

3) Use this simple example to develop and explain Clark’s argument about the factors that determine why people earn as much or as little as they do (e.g., marginal physical product, price of the product, value of the marginal product, the demand and supply of labor).

4) Identify every component of Clark’s analysis of income distribution that is linked to utility calculations of individuals in the economy.

5) Clark argued that unobstructed capitalism “assigns to everyone what he (sic) has specifically created.” Given this argument, what effects would Clark predict from raising the minimum wage? Explain.

6) Given Clark’s argument, what types of policies might be appropriate for narrowing inequality in the distribution of income if one were inclined to intervene in markets? Explain.