ESERCIZIO 2

1. Without government interference  
   The equilibrium wage is 30,000 euros per year  
   The equilibrium quantity of graduates hired per year is 290,000.

At the equilibrium wage there will be no-one seeking a job and unable to fund one, because at the equilibrium price the quantity demanded, that corresponds to new job offers, is equal to the quantity supplied, that is the number of the new job seekers.

1. If the government sets a minimum yearly wage of €35,000, the number of job seekers will increase to 310,000, while the job offers will fall to 250,000.   
   This means, there will be 60,000 new job seekers (310,000 – 250,000 = 60,000) who will be involuntarily unemployed.

If the minimum wage is set at 40,000, the number of new job seekers will rise to 320,000, while the number of job offers will fall to 220,000. Eventually this will cause the number of unemployed job seekers to reach 100,000.

1. The relationship between the level of involuntary unemployment and the level of minimum wage is evidently a positive relationship.   
     
   As we can see, as the minimum wage increases, the number of involuntarily unemployed job seekers increases too. Indeed, at prices higher than the equilibrium one the quantity of job offers is always lower than that of job seekers.

Hence, it is true that some workers who previously earned less than the minimum wage would benefit due to the higher income.

However, many workers would either lose their job entirely or would experience a reduction of working hours, therefore not benefiting at all.

Furthermore, many who are willing to sell their labor force (even for a price lower than the minimum wage) would not be able to find employers at all.

Hence, there is a missed opportunity for mutual benefits (a deadweight loss) because some transactions that would have taken place at the market equilibrium are prevented from happening. In fact, both workers willing to sell their labor force and employers willing to buy it at a price lower than the minimum wage are forced not to do so.