Due date: To be collected at the beginning of class on Tuesday, October 13.

Note: The usual policy on cheating and plagiarism applies for this exercise.

1. Make sure that you are familiar with the mathematical appendixes to chapters 8 and 9.
2. Do problems 7 of chapter 9 on p. 359 (problems 6 in 2/e).
3. Do problem 8a of Chapter 9 on page 359 (problem 7a in 2/e). Illustrate your answer with the labor market and the output market equilibrium diagrams.

Additional instructions:

For both questions, explain your answers with economic reasoning, i.e., do not simply say something like “the labor demand curve shifts to the right at the same time the output supply curve shifts left”. Explain why the labor demand curve shifts right and why the output supply curve shifts left!