

Experiment 5            Section    4

Problem 5.1

(Average wage is    \$9.44    )

Table 5.11: Experimentally Observed Unemployment

|           | Involuntarily<br>Unemployed | Voluntarily<br>Unemployed |
|-----------|-----------------------------|---------------------------|
| Session 1 | 0                           | 16                        |
| Session 2 | 22                          | 0                         |
| Session 3 | 0                           | 0                         |

Problem 5.2

Table 5.12: Experimentally Observed Incomes

|  | Session 1 | Session 2 | Session 3 |
|--|-----------|-----------|-----------|
| Total Wage Earnings                                    | \$170.00  | \$183.02  | \$536.25  |
| Total Income of Unemployed                             | \$192.00  | \$194.00  | \$0.00    |
| Total Income of All Workers                            | \$362.00  | \$377.02  | \$536.25  |
| Total Profits of Firms                                 | \$120.00  | \$46.98   | \$308.75  |
| Sum of Total Income of<br>Workers and Profits of Firms | \$482.00  | \$424.00  | \$845.00  |

Problem 5.3

- Part a)    rose by            \$5.81
- Part b)    rose by            \$15.02
- Part c)    fell by             \$73.02
- Part d)    yes
- Part e)    yes
- Part f)    no
- Part g)    yes

Problem 5.4

Table 5.13 Labor Supply Table

| Wage Range        | Labor Supplied |
|-------------------|----------------|
| Wage < \$5        | 0              |
| \$5 < Wage < \$12 | 17             |
| Wage > \$12       | 34             |

Problem 5.5

- Part a)    0 laborers
- Part b)    1 laborer
- Part c)    2 laborers

Problem 5.6

Table 5.14: Market Labor Demand Table--Session 1

| Wage Range         | Amount Demanded |
|--------------------|-----------------|
| Wage > \$20        | 0               |
| \$10 < Wage < \$20 | 11              |
| Wage < \$10        | 22              |

Problem 5.7

- Part a) 0 laborers
- Part b) 1 laborer
- Part c) 2 laborers
- Part d) 4 laborers

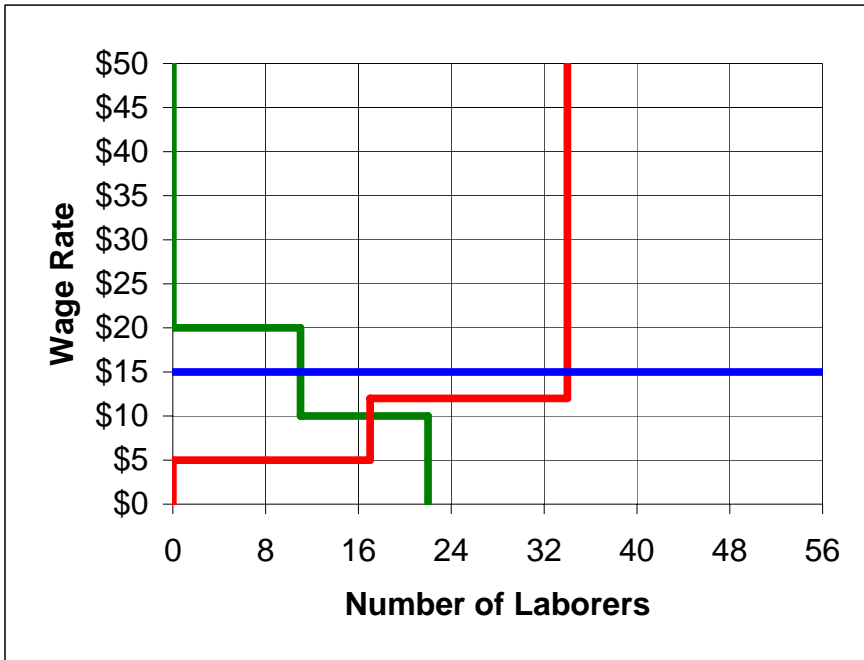
Problem 5.8

Table 5.15: Market Labor Demand Table-Session 3

| Wage Rate          | Amount Demanded |
|--------------------|-----------------|
| Wage > \$30        | 0               |
| \$25 < Wage < \$30 | 11              |
| \$20 < Wage < \$25 | 22              |
| Wage < \$20        | 44              |

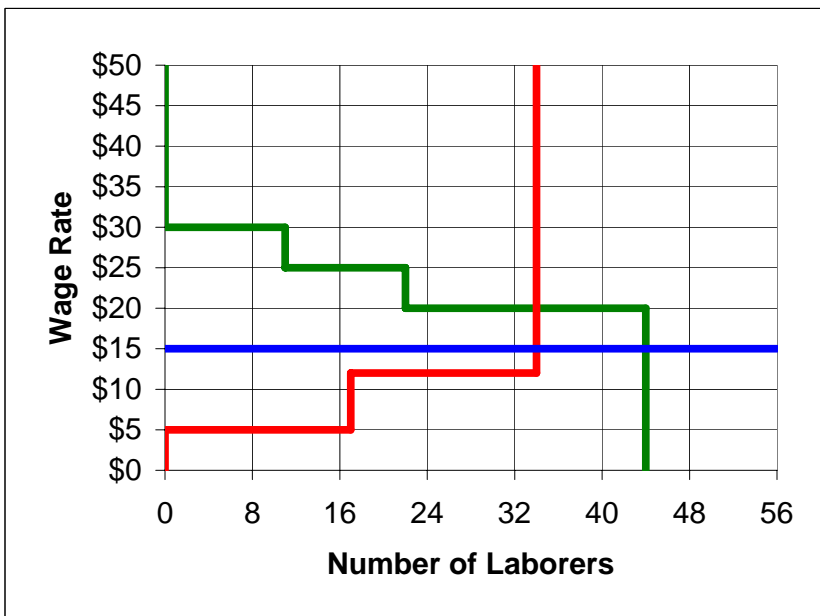
Problem 5.9

Figure 5.7: Supply and Demand-Sessions 1 and 2



Problem 5.10

Figure 5.8: Supply and Demand-Session 3



Problem 5.11

Table 5.16: Predicted Wages and Profits

|                                    | Session 1 | Session 2 | Session 3 |
|------------------------------------|-----------|-----------|-----------|
| Average Wage Rate                  | \$10      | \$15      | \$20      |
| Total Employment                   | 17        | 11        | 34        |
| Total Profit of Firms              | \$110     | \$55      | \$165     |
| Total Wages of<br>Employed Workers | \$170     | \$165     | \$680     |

Problem 5.12

Table 5.17: Predicted Unemployment

|           | Involuntarily<br>Unemployed | Voluntarily<br>Unemployed |
|-----------|-----------------------------|---------------------------|
| Session 1 | 0                           | 17                        |
| Session 2 | 23                          | 0                         |
| Session 3 | 0                           | 0                         |