

Seminar 6 - Exercises

As usual, please submit finished solutions by Monday around 12:00 (lunch) either by email (to both danielbergsvik@gmail.com and ole.rogeberg@frisch.uio.no) or directly to the Frisch Centre (leave in Daniel's mail shelf at the Frisch Centre if he is not present).

Part 1 – Unemployment (Group: Vidar Ringstad, Anja Levarsen, Vidar Bøckmann)

Over the last weeks we have covered several influences on or sources of unemployment. Briefly describe the main mechanisms involved and briefly assess the empirical relevance of the following mechanisms in light of the evidence presented in the book (note: brief, roughly 3 pages in total):

- Technological progress
- Collective bargaining and wage bargaining level
- Minimum wage
- Employment protection
- Taxation

Part 2 – Minimum wage (Group: Jan Herfort, Kathrin Weny, Anna Irger, Cho Sueyon, Sunwook Hwang)

Discuss the impact of market power in both the product market and in the labour market for the relationship between the real wage and the marginal productivity of labour.

Discuss the effect on the employment level of a firm of a minimum wage increase under a) perfect competition in the labour market, and b) traditional monopsony.

Discuss the difference between a firm's demand elasticity of labour demand and the demand elasticity at the industry level.

Which is the more elastic, the short run elasticity of labour demand or the long run elasticity of demand?

Briefly describe a couple of the newer mechanisms discussed in the book that allow the minimum wage to have beneficial effects for the employment level.