

Economics 402

Homework #2

Due on Thursday 3/6

This assignment is based on material from Chapters 6-7 in the Mankiw textbook.

1. *Questions from text (30 points)*

Answer question 2 at the end of Chapter 6 and questions 1 and 9 at the end of Chapter 7. Note that these are the questions under the heading “Problems and Applications”, not “Questions for Review”.

2. *Minimum Wages (20 points)*

Go to the Bureau of Labor Statistics (BLS) website where Mankiw obtained information about minimum-wage workers that he presents on pp. 167-168. Updated information for 2006 is available at <http://www.bls.gov/cps/minwage2006.htm>. In terms of the information that Mankiw reports, what has changed? E.g., Mankiw reports that the labour force was about 74 million in 2004, while the comparable 2006 number is 76.5 million.

Read the article mentioned in the textbook (Charles Brown, 1988, “Minimum Wage Laws: Are They Overrated?” *Journal of Economic Perspectives* 2, 133-146). (The article is the first item in the class reader, available from the main office of the Economics Department (Eliot 205). Or you may be able to find it online in JSTOR from a university computer.) What is his main conclusion about the costs and benefits of minimum wage laws? What would be the drawback of a policy of a lower minimum wage for teenagers as a way to increase employment for that group?