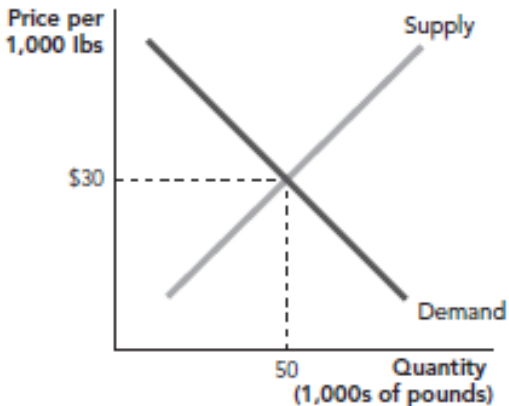


1. If the price of margarine decreases, what happens to the demand for butter? What happens to the equilibrium quantity and price for butter? What would happen if butter and margarine were not substitutes? Use a supply and demand diagram to support your answer.

2. The market for sugar is diagrammed:



a. What would happen to the equilibrium quantity and price if the wages of sugar cane harvesters increased?

b. What if a new study was published that emphasized the negative health effects of consuming sugar?

3. When the crime rate falls in the area around a factory, what probably happens to wages at that factory?

4. If a business can make the job seem fun (by offering inexpensive pizza lunches) or at least safe (by nagging the city government to put police patrols around the factory), what probably happens to the supply of labor? What happens to the equilibrium wage if a factory or office or laboratory becomes a great place where people “really want to work”? How does this explain why the hourly wage for the median radio or television announcer is only \$14.88 per hour, lower than almost any other job in the entertainment or broadcasting industry?