## Ec317 Labour Economics Problem Set 1

- 1. Tao is a small farmer in Thailand. Like most rural households in this country, Tao's family grows rice. Part of the rice they consume themselves and part of it they sell in the market. From the proceeds they purchase meat (notice that Thai Buddhists are not very strict). Assume that both rice and meat are normal goods for them. Use graphs to answer the following questions:
  - (a) What happens to their consumption of rice and meat when the price of rice rises? What happens to the amount of rice sold in the market?
  - (b) Due to unusual weather conditions the current growing season has been particularly bad for Tao. His harvest fell far short of its normal level and is insufficient to feed his family, let alone to sell any surplus. Fortunately, Tao's uncle in Bangkok is sending some money so that Tao can buy additional rice and meat. How would the family's consumption of rice and meat react to a rise in the price of rice now?
  - (c) What does this question have to do with labor economics?
- 2. Real wages have increased by well over 100% since 1900 and per capita wealth has increased by about 80% during the same period. Although data are somewhat sketchy before 1947, the available evidence suggests that male and female wages grew at about the same rate (until recently). Per capita wealth also grew at about the same rate for men and for women. Nevertheless, over this period of time male hours of work and male labor force participation have declined somewhat while at the same time female participation and hours of work have increased strongly. How can you explain this difference in behavior of males and females? Is it a paradox for labor supply analysis?