



AP[®] Microeconomics 2003 Sample Student Responses

The materials included in these files are intended for use by AP teachers for course and exam preparation; permission for any other use must be sought from the Advanced Placement Program[®]. Teachers may reproduce them, in whole or in part, in limited quantities for noncommercial, face-to-face teaching purposes. This permission does not apply to any third-party copyrights contained herein. This material may not be mass distributed, electronically or otherwise. These materials and any copies made of them may not be resold, and the copyright notices must be retained as they appear here.

These materials were produced by Educational Testing Service[®] (ETS[®]), which develops and administers the examinations of the Advanced Placement Program for the College Board. The College Board and Educational Testing Service (ETS) are dedicated to the principle of equal opportunity, and their programs, services, and employment policies are guided by that principle.

The College Board is a national nonprofit membership association whose mission is to prepare, inspire, and connect students to college and opportunity. Founded in 1900, the association is composed of more than 4,300 schools, colleges, universities, and other educational organizations. Each year, the College Board serves over three million students and their parents, 22,000 high schools, and 3,500 colleges through major programs and services in college admissions, guidance, assessment, financial aid, enrollment, and teaching and learning. Among its best-known programs are the SAT[®], the PSAT/NMSQT[®], and the Advanced Placement Program[®] (AP[®]). The College Board is committed to the principles of equity and excellence, and that commitment is embodied in all of its programs, services, activities, and concerns.

For further information, visit www.collegeboard.com

Copyright © 2003 College Entrance Examination Board. All rights reserved. College Board, Advanced Placement Program, AP, AP Vertical Teams, APCD, Pacesetter, Pre-AP, SAT, Student Search Service, and the acorn logo are registered trademarks of the College Entrance Examination Board.

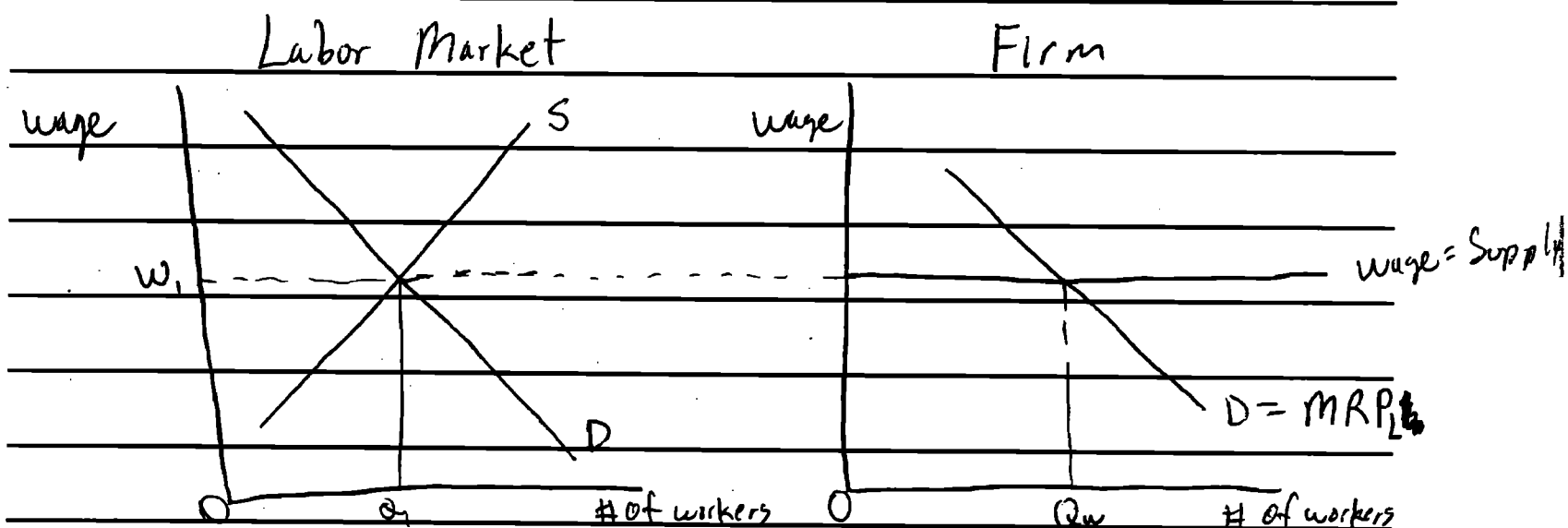
AP Central is a trademark owned by the College Entrance Examination Board. PSAT/NMSQT is a registered trademark jointly owned by the College Entrance Examination Board and the National Merit Scholarship Corporation. Educational Testing Service and ETS are registered trademarks of Educational Testing Service. Other products and services may be trademarks of their respective owners.

For the College Board's online home for AP professionals, visit AP Central at apcentral.collegeboard.com.

Write in the box the number of the question you are answering on this page as it is designated in the examination.

a) MRP_L is the addition to total revenue that is made with one additional increase in a unit of labor. It represents a firm's demand for labor.

b)



i) Equilibrium wage is Qw_1

ii) The labor supply curve of the firm is the horizontal line, w_1 , as the firm is a wage taker

iii) Q_w is the number of workers the firm will hire.

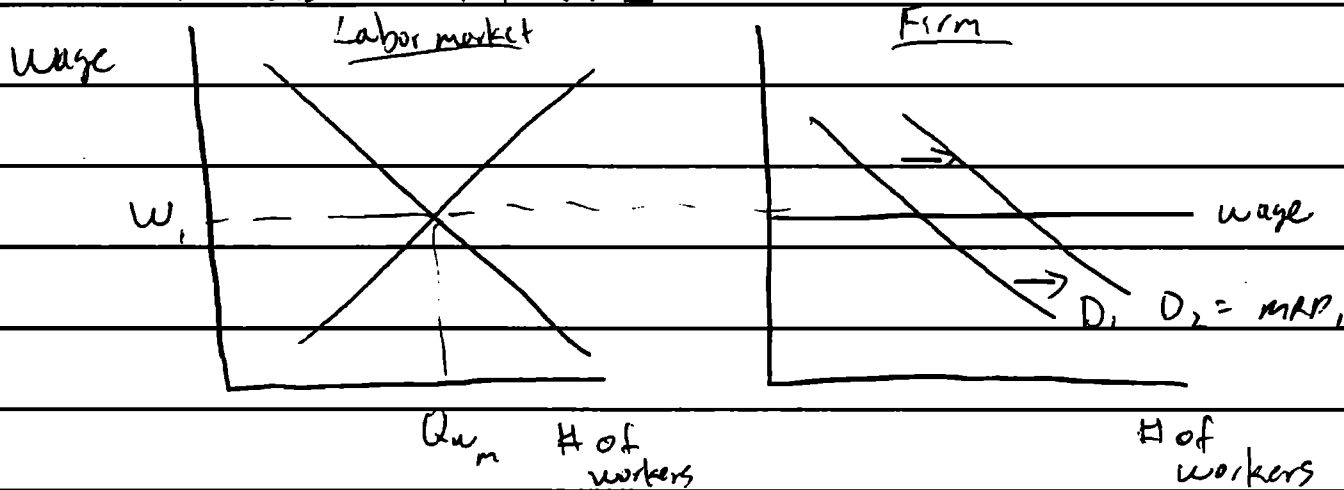
Write in the box the number of the question you are answering on this page as it is designated in the examination.

3

c)

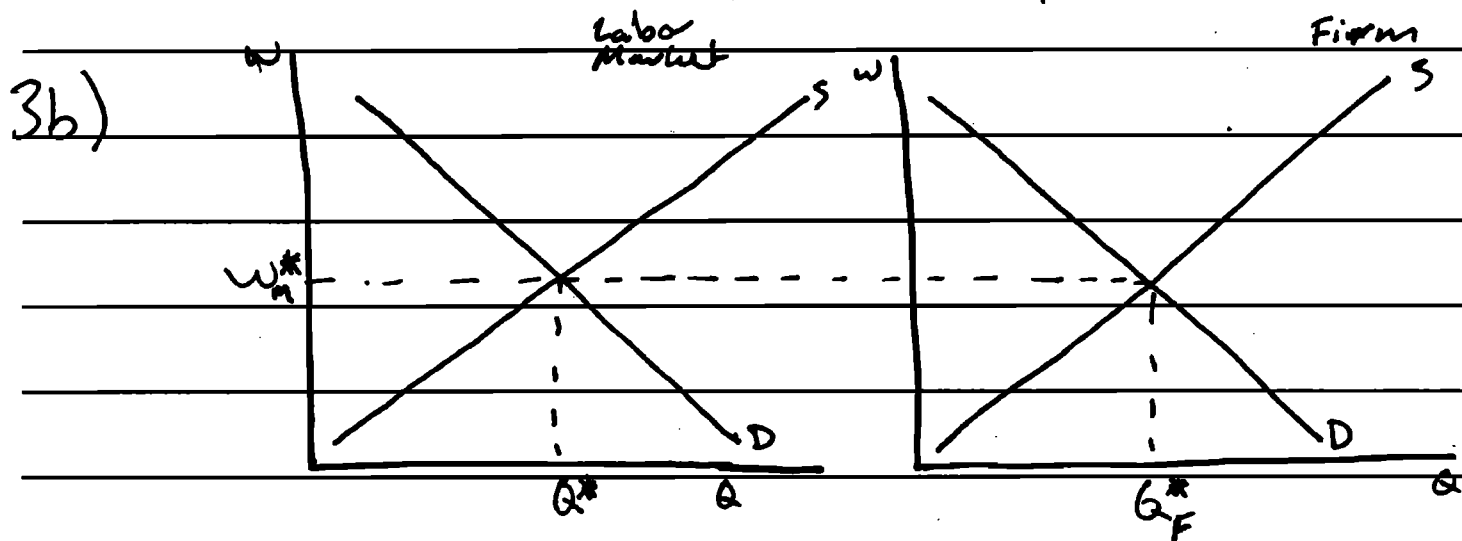
i) Wage rate will remain the same because the firm is a price wage taker

ii) The number of workers increase due to increased MRP_L . Firm hires more workers until $MRP_L = \text{wage}$



Write in the box the number of the question you are answering on this page as it is designated in the examination.

3a) MRP_L is the amount of additional revenue the next laborer provides for the company through the sale of the units produced by said laborer.



3bi) The equilibrium wage in the labor market is labeled

w_m^* and is on the Y-axis of the Labor Market graph.

3bii) The labor supply curve that the firm faces is labeled S and is on the Firm graph.

3biii) The number of workers the firm will hire is labeled Q_F^* and is on the X-axis of the firm graph.

~~3c)~~ With company's new technology, they will want to maximize their profits before other firms receive the technology, so -

i) Wage rates will increase

ii) Number of workers hired will also increase

this is because company XYZ will have an increased demand for laborers. The Demand curve will shift

3 MICLD₂

Write in the box the number of the question you are answering on this page as it is designated in the examination.

3

out to the right. This will increase the quantity of laborers, and will increase the wage at which they work.