

# Micro Principles

Georgetown University Qatar  
Summer 2019

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## Problem Set 4

To be discussed in class on May 30.

*Chapter 6 Problems* (page 152 - 154): 1, 2, 15, 16, 17. For each problem use an appropriate graph and write a concise and precise explanation using appropriate economic vocabulary.

### *Additional Problem:*

Oil-rich countries in the Gulf, already confronted by strong labor protests, are facing renewed pressure from India to pay minimum wages for unskilled workers. With five million immigrant workers in the region, India is trying to win better conditions for their citizens.

Source: *International Herald Tribune*, March 27, 2008.

Suppose that the Gulf countries paid a minimum wage above the equilibrium wage to the Indian workers. Answer the following questions assuming that migrants to the Gulf are required to have jobs: that means the number of migrants cannot be larger than the quantity of labor demanded.

- How would the market for labor be affected in the Gulf countries? Would migrant Indian workers be better off or worse off or unaffected by this minimum wage? Draw a supply and demand graph to illustrate your answers.

- How would the market for labor be affected in India? Draw a supply and demand graph to illustrate your answer. Be careful: the minimum wage is in the Gulf countries, not in India.