Solutions

Each answer shows the steps, then the **result**.

2.1

- any one of: the output price, worker productivity, the price of a related input

2.2

- it increases factor demand (higher MRP)

2.3

- the wage falls and the quantity of labour rises

3.1 B

3.2 B

3.3

(a)

- it rises

(b)

- labour demand rises

(c)

- the equilibrium wage rises