1. Dale and Dana work at a self-service gas station and convenience store. Dale opens up every day, and Dana arrives later to help stock the store. They are both paid the current market wage of $9.50 per hour. But Dale feels he should be paid much more because the revenue generated from the gas pumps he turns on every morning is much higher than the revenue generated by the items that Dana stocks. Assess this argument in the framework of spot labor markets (what we learned about labour markets).

2. A *New York Times* article observed that the wage of farmworkers in Mexico was $11 an hour but the wage of immigrant Mexican farmworkers in California was $9 an hour.

a. Assume that the output sells for the same price in the two countries. Does this imply that the marginal product of labour of farmworkers is higher in Mexico or in California? Explain your answer, and illustrate with a diagram that shows the demand and supply curves for labour in the respective markets. In your diagram, assume that the quantity supplied of labour for any given wage rate is the same for Mexican farmworkers as it is for immigrant Mexican farmworkers in California.

b. Now suppose that farmwork in Mexico is more arduous and more dangerous than farmwork in California. As a result, the quantity supplied of labour for any given wage rate is not the same for Mexican farmworkers as it is for immigrant Mexican farmworkers in California. How does this change your answer to part a? What concept best accounts for the difference between wage rates for Mexican farmworkers and immigrant Mexican farmworkers in California?

c. Illustrate your answer to part b with a diagram. In this diagram, assume that the quantity of labour demanded for any given wage rate is the same for Mexican employers as it is for Californian employers.