

Group Exercise #8

Name:

- 1) Consider the taste-for-discrimination model of employer discrimination. Suppose that a given white employer has a value of d that is .25, the market wage rate for black workers \$8 and the market wage rate for white workers is \$11. Describe the racial composition of the workers that will be hired by this employer.

- 2) Consider the model of customer discrimination. Suppose in a particular town, a garage with a black mechanic competes against a garage with a white mechanic. Suppose the “white” garage charges \$20 for an oil change. What price will the “black” garage have to offer to attract someone with $d=.25$? What about $d=.5$?

- 3) Discuss whether a minority worker should prefer to locate in a labor market that has a large relative supply of minority workers or a small relative supply of minority workers under:
 - a) The model of employer discrimination
 - b) The model of co-worker discrimination
 - c) The model of customer discrimination