1. The workers in a union are concerned whether they are getting paid fairly or not. They are specifically concerned that the rate at which wages are increasing per year is lagging behind the rate of increase in the company’s revenue per year. In order for the wage increase to be fair, the relative rate that the wage increases per year should be the same as the relative rate that the company’s revenue $R$ is increasing per year. Currently, the wage $(L)$ is $25.00 per hour on average for each worker. Determine whether this is fair or not given that the profit function is the following:

$$R = \frac{1}{5}L^3 - 4L^2$$

(1)

SOLUTION

First, we implicitly differentiate (1) with respect to time to find a relationship between $\frac{dR}{dt}$ and $\frac{dL}{dt}$.

$$\frac{dR}{dt} = \left(\frac{3}{5}L^2 - 8L\right) \frac{dL}{dt}$$

In order to compare the relative rates of change of $R$ and $L$, we divide both sides by $R$ so that we have the relative rate of change of $R$ on the left side. On the right side, we use (1) to express $R$ as a function of $L$ and simplify.

$$\frac{1}{R} \frac{dR}{dt} = \frac{\frac{3}{5}L^2 - 8L}{R} \frac{dL}{dt}$$

$$= \frac{\frac{3}{5}L^2 - 8L}{\frac{1}{5}L^3 - 4L^2} \frac{dL}{dt}$$

$$= \frac{\frac{3}{5}L - 8}{\frac{1}{5}L - 4} \left(\frac{1}{L} \frac{dL}{dt}\right)$$

When $L = 25$,

$$\frac{1}{R} \frac{dR}{dt} = \frac{\frac{3}{5}(25) - 8}{\frac{1}{5}(25) - 4} \left(\frac{1}{L} \frac{dL}{dt}\right) = \frac{15 - 8}{5 - 4} \left(\frac{1}{L} \frac{dL}{dt}\right) = 7 \left(\frac{1}{L} \frac{dL}{dt}\right)$$
The company’s revenue is increasing at a relative rate which is 7 times faster than the relative rate of change of the wages. This is unfair.

2. The monthly revenue $R$ (in dollars) of a telephone polling service is related to the number $x$ of completed responses by the function

$$R(x) = -13450 + 60\sqrt{6x^2 + 20x},$$

where $0 \leq x \leq 1500$. If the number of completed responses is increasing at the rate of 10 forms per month, find the rate at which the monthly revenue is changing when $x = 700$.

**SOLUTION**

$$\frac{\partial R}{\partial t} = 60 \cdot \frac{1}{2} \cdot \frac{1}{\sqrt{6x^2 + 20x}} \cdot \left(12x \frac{\partial x}{\partial t} + 20 \frac{\partial x}{\partial t}\right) \quad (2)$$

We know that $\frac{\partial x}{\partial t} = 10$ and want to find what $\frac{\partial R}{\partial t}$ is when $x = 700$.

$$\frac{\partial R}{\partial t} = 60 \cdot \frac{1}{2} \cdot \frac{1}{\sqrt{6 \cdot 700^2 + 20 \cdot 700}} \cdot (12 \cdot 700 \cdot 10 + 20 \cdot 10) \quad (3)$$

$$\frac{\partial R}{\partial t} = 1469.70\text{ dollars} \quad (4)$$

3. The owner of Cazio Watches Co. wants to predict how interest rates affect monthly sales. If the current interest rate $r$ is 4% and the monthly change in interest rate is 0.8%, what is the change in sales per month if sales are determined by the function:

$$S = \frac{150000}{\sqrt{r^2 + 5}} - \frac{4900r^2}{3},$$

where $S$ is in hundreds of dollars?

**SOLUTION**

We know: $r = 0.04$ and $\frac{dr}{dt} = 0.008$

Want: $\frac{dS}{dt}$

$$\frac{dS}{dt} = -75000(r^2 + 5)^{-\frac{3}{2}} \cdot 2r \frac{dr}{dt} - \frac{9800r}{3} \cdot \frac{dr}{dt} \quad (5)$$
Plugging in what we know, we will get
\[
\frac{dS}{dt} = -5.3365 \text{ hundreds of dollars} = -533.65 \quad (6)
\]
There will be a decrease of $533.65 in sales revenue for the upcoming month.

The supply of cereals are decreasing at a rate of 230 boxes per week when the price per box is $6.50, quantity supplied is 10,000 boxes, and the whole sale price per box is increasing at the rate of $0.10 per box each week.

4. It is estimated that the number of housing starts, \( N(t) \) (in units of a million), over the next 5 years is related to the mortgage rate \( r(t) \) (percent per year) by the equation
\[
9N^2 + r = 36.
\]
What is the rate of change of the number of housing starts with respect to time when the mortgage rate is 6% per year and is increasing at the rate of 0.25% per year?

**SOLUTION**

Given \( r = 6 \), and \( \frac{dr}{dt} = 0.25 \).

We want to find \( \frac{dN}{dt} \)

Derive the equation implicitly with respect to \( t \).
\[
\frac{d}{dt} (9N^2) + \frac{d}{dt} (r) + \frac{d}{dt} (36)
\]
\[
18N \cdot \frac{dN}{dt} + \frac{dr}{dt} = 0
\quad (8)
\]
We need to know \( N \) in order to solve (15) to find \( \frac{dN}{dt} \). We will use the equation given in the question to solve for \( N \).
Since we know that \( r = 6 \), we can solve for \( N \).

\[
9N^2 + 6 = 36 \quad (9)
\]

\[
N = \sqrt{\frac{10}{3}} \quad (10)
\]

The negative root is ignored because we cannot have negative number of housing starts.

Plugging in what we know in to equation (15), we will get

\[
18\sqrt{\frac{10}{3}} \cdot \frac{dN}{dt} + 0.25 = 0 \quad (11)
\]

\[
\frac{dN}{dt} = -0.007607 \quad (12)
\]

Thus, at the instant of time under consideration, the number of housing starts is decreasing at the rate of 7606 units per year.