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2. Imagine that the community you live in decides to enact a rent control of $700 per month on every one-bedroom apartment. Using the following table, determine the market price and equilibrium quantity without rent control. How many one-bedroom apartments will be rented after the rent-control law is passed?

|  |  |  |
| --- | --- | --- |
| Monthly Rent | Quantity Demanded | Quantity Supplied |
| $600 | 700 | 240 |
| $700 | 550 | 320 |
| $800 | 400 | 400 |
| $900 | 250 | 480 |
| $1,000 | 100 | 560 |

8. The demand and supply curves that we use can also be represented with equations. Suppose that the demand for low-skill labor, Qd, is represented by the following equation, where W is the wage rate:

Qd = 53,000,000 – 3,000,000W

The supply of low-skill labor, Qs, is represented by the equation

Qs = -10,000,000 + 6,000,000W

1. Find the equilibrium wage. (HINT: Set Qd = Qs and solve for the wage, W.)
2. Find the equilibrium quantity of labor. (HINT: Now plug the value you got in part (a) back into Qd or Qs. You can double-check your answer by plugging the answer from part (a) into both Qd and Qs to see that you get the same result.)
3. What happens if the minimum wage is $8? (HINT: Plug W = 8 into both Qd and Qs.) Does this cause a surplus or a shortage?
4. What happens if the minimum wage is $6? (HINT: Plug W = 6 into Qd and Qs.) Does this cause a surplus or a shortage?

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4. If the government wants to raise tax revenue, which of the following items are good candidates for an excise tax? Why?

a. granola bars

b. cigarettes

c. toilet paper

d. automobile tires

e. bird feeders

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4. Can you think of a reason why making cars safer would create negative externalities? Explain.

9. A study finds that leaf blowers make too much noise, so the government imposes a $10 tax on the sale of every unit to correct for the social cost of the noise pollution. The tax completely internalizes the externality. Before the corrective tax, Blown Away Manufacturing regularly sold blower for $100. After the tax is in place, the consumer price for leaf blowers rises to $105.

a. Describe the impact of the tax on the number of leaf blowers sold.

b. What is the socially optimal price to the consumer?

c. What is the private market price?

d. What net price is Blown Away receiving after it pays the tax?