

1. Use the Internet to determine the views of President Bush and at least two of the leading Democratic candidates for President about whether they want to raise or lower the minimum wage and why (you'll probably only find a phrase or a sentence on their campaign Web sites). Give at least two reasons (someone benefits) for raising it and two reasons for leaving it alone or lowering it (someone is harmed). Your answer should be brief (certainly no longer than a page at the most).
2. Show that an increase in the minimum wage may (but does not necessarily) cause the total wage bill,  $wL$  (where  $w$  is the wage and  $L$  is the hours worked by all employed workers) to rise. Under what conditions does it rise? You may show using graphs or math (calculus and/or elasticities).
3. Briefly (less than a page) make the cases for and against rent control (a price ceiling on the price that can be charged to rent an apartment). Discuss both efficiency and equity issues (consider short-run and long-run effects). *Hint:* Who benefits and who is harmed by the law? Note: The magnitude of the effects may depend on the shapes of the demand and supply curves—an empirical question.
4. Initially in an unregulated, competitive market, the competitive price is  $p^*$  and the competitive quantity is  $Q^*$ . The entire supply is imported. The government imposes a binding quota at  $\bar{Q} < Q^*$ . Describe the effects of this quota on the market price and quantity. Who gains and who loses?
5. The demand function for roses is  $Q = a - bp + fp_c$ , and the supply function is  $Q = c + ep$ , where  $a$ ,  $b$ ,  $c$ ,  $e$ , and  $f$  are positive constants and  $p_c$  is the price of chocolate. Write a formula that shows how the equilibrium quantity and price of roses vary with the price of chocolate.
6. The market demand and supply curves are (respectively):

$$Q_d = 90p^{-2}$$
$$Q_s = 10p$$

- A. What are the equilibrium price and quantity?
  - B. What is the formula for the elasticity of demand at various possible points along this demand curve? What is the elasticity of demand at the equilibrium?
  - C. What is the formula for the elasticity of supply? What is the elasticity of supply at the equilibrium?
  - D. What is the incidence of a specific tax on consumers?
7. Suppose two linear demand curves cross at the point  $(p^*, Q^*)$ . Which demand curve (the steeper or the flatter one) is more elastic at that point, and why?