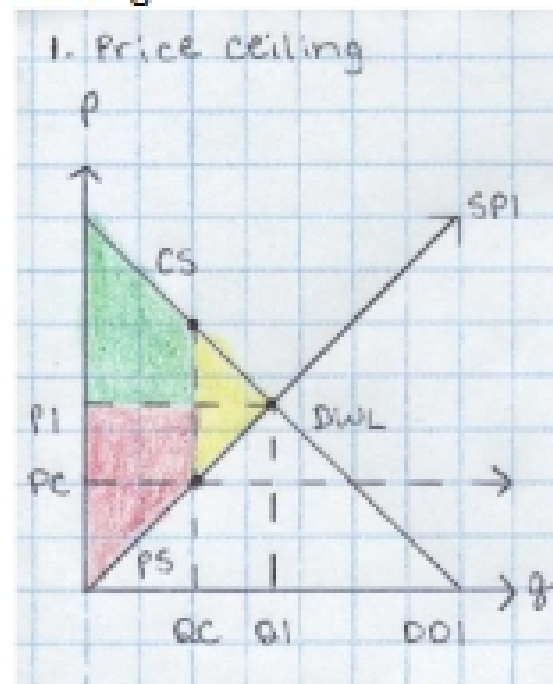


I. Economics

a. Price controls

1. Price ceiling



1. Rent control

a. Government limit on the rental price of a generic apartment

b. With rent control:

1. Market shortage

a. Quantity demanded is greater than quantity supplied

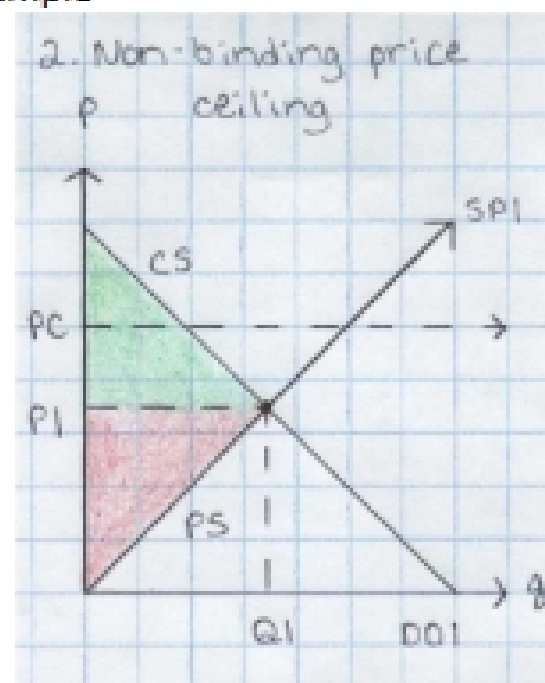
2. Market is inefficient

a. Producers lose

b. Consumers who keep apartments gain

1. Some consumers lose apartments

c. Example

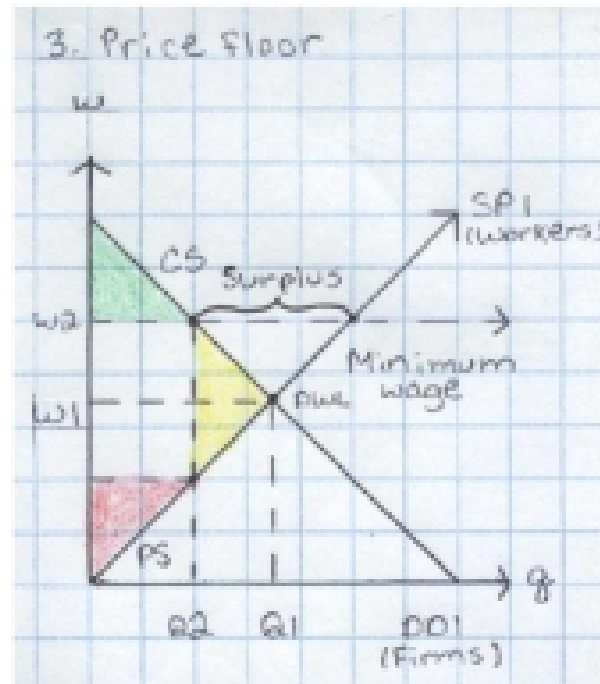


a. Non-binding price ceiling

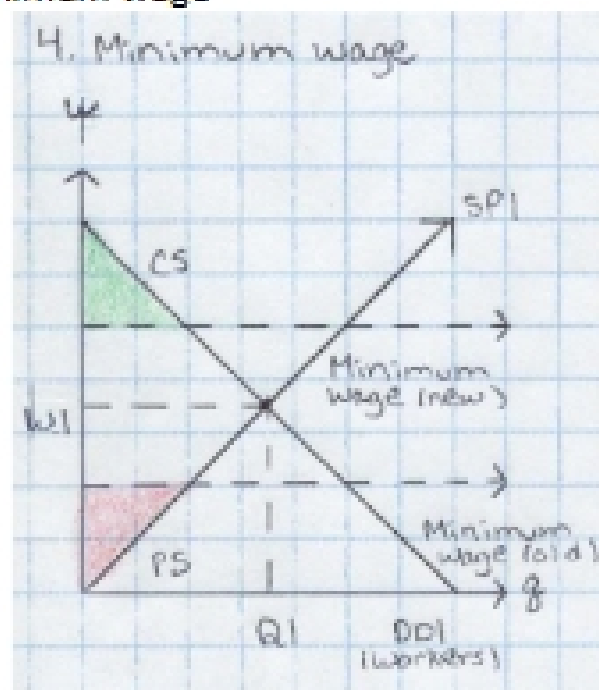
1. Market can still achieve equilibrium

b. Market is efficient

2. Price floor



a. Minimum wage



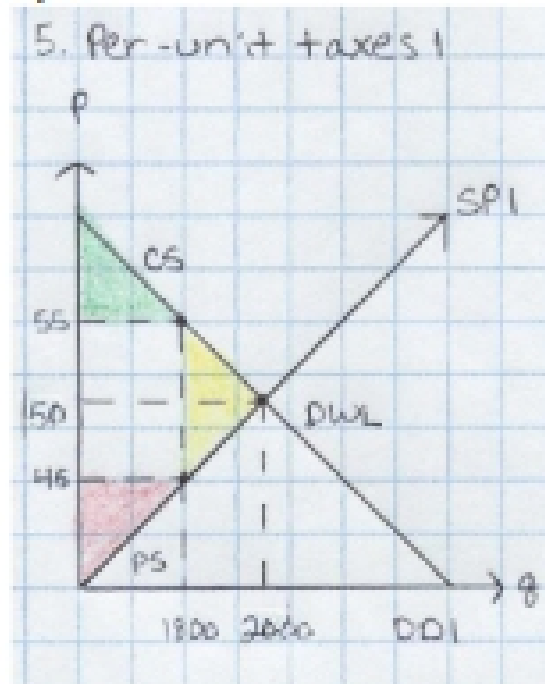
a. Market surplus

1. Unemployment
2. Consumer surplus shrinks
 - a. Firms lose surplus
 - b. Workers who keep jobs gain surplus
 1. Wage increase
3. Dead weight loss
 - a. Things considered
 1. Some workers lose jobs
 2. Some firms no longer hire

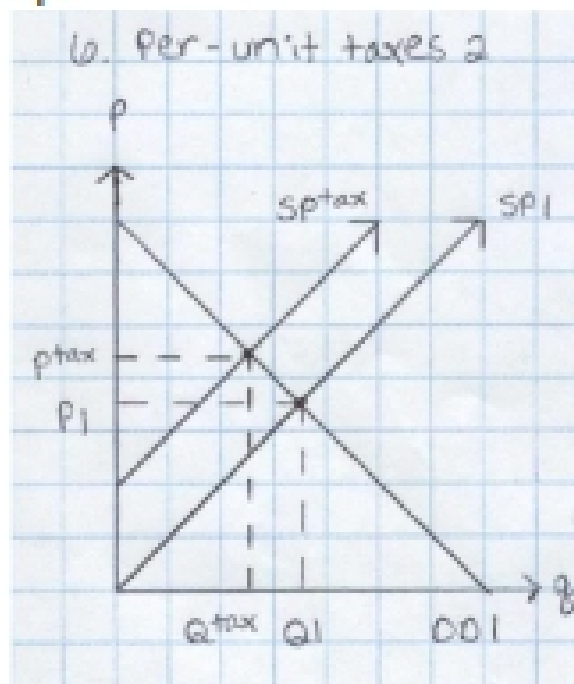
b. "Natural experiment"

1. Card and Krueger
 - a. New Jersey
 1. Control
 2. Minimum wage constant
 - b. Pennsylvania
 1. Treatment
 2. Minimum wage increase
 - c. Found small (not significant) increases in unemployment in Pennsylvania

- b. Agricultural price supports
- b. Per-unit taxes
 - 1. Example



- a. \$50 per carton of cigarettes
 - b. \$10 per carton tax
 - 1. Price consumers pay is \$55
 - a. Consumer surplus shrinks
 - 2. Price producers receive is \$45
 - a. Producer surplus shrinks
 - c. Tax revenue is between \$45 and \$55
 - d. Market is inefficient because of dead weight loss
 - 1. Not because of tax revenue
2. Example



- 3. Tax incidence
 - a. Who bears the burden of the tax?
 - b. Needs to be considered when tax policy is being constructed
 - c. Example
 - 1. Tax the rich by taxing yachts
 - a. Yachts are elastic goods
 - 1. Producers pay most of the tax
- 4. When consumer demand is inelastic, consumers pay most of the tax