

BASIC ECONOMICS

CHAPTER 3: Price Controls

QUESTIONS

1. When is it politically expedient to impose price controls?

When the nation or the affected party is already under hurt or recovering. Also when the nation or party is doing well.

2. How did rent control after WWII cause a shortage, even though there was no shortage before rent control?

Rent control lowered the prices of housing which allowed more people to buy housing and since it was not as valuable people started to just buy more of it causing a shortage. Just like if the price of paper towels dropped, we would carelessly rip off three or four, rather than if the price was raised.

3. What do government price controls do? (Check all that apply)

- a) encourage people to use/demand more at the lower price
- b) discourage production by limiting profits
- c) benefit the rich, who can pay bribes to have access to the now-limited supply
- d) make things better for lower-income families

4. What types of building projects do investors build when they can't make a good profit on apartment buildings?

Factories and shops, things that are not so heavily inflicted by price control.

5. Why are many rent controlled buildings eventually abandoned?

Since there is less profit, owners do not want to keep up with upkeep and these buildings eventually get so bad people abandon them

6. Why do politicians frame the act of working for profit as "greedy?" What does this accomplish for them?

Politicians frame the act of working as "greedy" so that you will listen to them and vote for their policies, which are supposed to help with the "greed" issue, but these policies only benefit the politician who hides a clause that gives him money or some advantage.

7. Give an example of a scarcity without a shortage (think about hoarding during COVID).

Toilet paper is probably the best example and the one everyone will write down. But I think another great example would be eggs or bread. These are generally hoarded during winter storms and are scarce to find when people freak out. While the toilet paper fiasco was worldwide, this kind of scarcity happens within certain areas when storms hit. So, I think it would be a perfect example of a scarcity without a shortage. Because bread and eggs are still being produced, its just that in a certain area there is less due to fear of what will happen next.