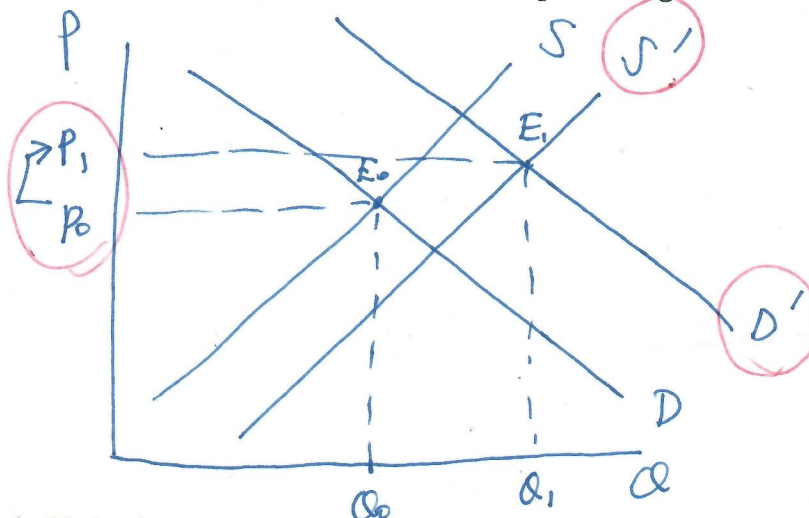


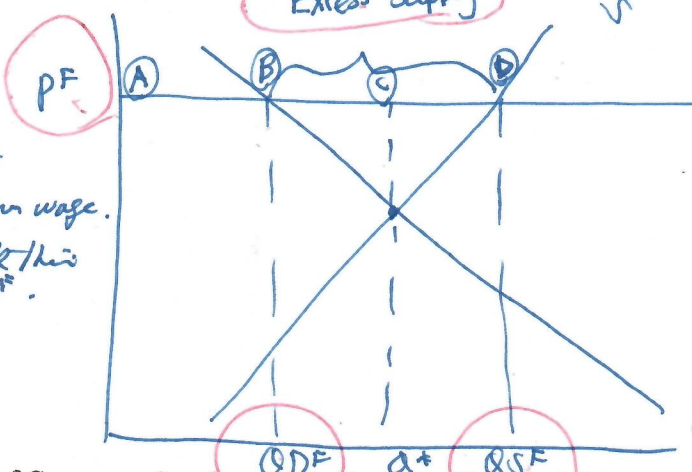
Q1: A popular TV show examined the positive health effects of eating tomatoes every day. This year, due to the favorable weather condition, tomato production has increased dramatically. Draw the changes in Demand and Supply functions in the way that the final market price is higher than the initial situation.



Q2: A government decided to impose minimum wage law in labor market. Explain the impacts of this policy by clearly showing P_F (price floor), Q_{D_F} (Q.D. under price floor policy), Q_{S_F} (Q.S. under price floor policy) and the amount of excess demand or supply. Analyze the benefits and costs from the consumers and producers point of view.

Firms (Demanders)

They can't afford to employ Q^* amount of labor due to the higher wage. Hence, they cut-back their employment to Q_{D^F} .



Excess Supply

Labor (Supplier)

A → B Benefited suppliers (labor) due to the higher wage

B → C Unemployed labor due to this policy (Demanders (Firms) don't want hire the much labor due to the high price)

C → D Newly entered labor market point due to high wage

can't find a job

Q3: Show the areas of Consumer Surplus and Producer Surplus for Q2. (Draw a new figure.)

