## Critical Thinking Questions

21.

Other than the demand for labor, what would be another example of a “derived demand?”

22.

Suppose that a 5% increase in the minimum wage causes a 5% reduction in employment. How would this affect employers and how would it affect workers? In your opinion, would this be a good policy?

23.

Under what circumstances would a minimum wage be a nonbinding price floor? Under what circumstances would a living wage be a binding price floor?

24.

Suppose the U.S. economy began to grow more rapidly than other countries in the world. What would be the likely impact on U.S. financial markets as part of the global economy?

25.

If the government imposed a federal interest rate ceiling of 20% on all loans, who would gain and who would lose?

26.

Why are the factors that shift the demand for a product different from the factors that shift the demand for labor? Why are the factors that shift the supply of a product different from those that shift the supply of labor?

27.

During a discussion several years ago on building a pipeline to Alaska to carry natural gas, the U.S. Senate passed a bill stipulating that there should be a guaranteed minimum price for the natural gas that would flow through the pipeline. The thinking behind the bill was that if private firms had a guaranteed price for their natural gas, they would be more willing to drill for gas and to pay to build the pipeline.

1. Using the demand and supply framework, predict the effects of this price floor on the price, quantity demanded, and quantity supplied.
2. With the enactment of this price floor for natural gas, what are some of the likely unintended consequences in the market?
3. Suggest some policies other than the price floor that the government can pursue if it wishes to encourage drilling for natural gas and for a new pipeline in Alaska.