

ECO135 Quiz 2 (Nov. 21, 2018) ID \_\_\_\_\_; Name \_\_\_\_\_

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  $P_c$  (price floor),  $Q_{d_c}$  (Q.D. under price floor policy),  $Q_{s_c}$  (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.

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