

Lecture Assignment 7

1. In rich countries, governments almost always set the fares for taxi rides. The prices for taxi rides are the same in safe neighborhoods and in dangerous neighborhoods. Where is it easier to find a cab? Why? If these taxi price controls were ended, what would probably happen to the price and quantity of cab rides in dangerous neighborhoods? How do you think ride-sharing apps like Uber and Lyft have affected this problem?

2. When the United States had price controls on oil and gasoline, some parts of the United States had a lot of heating oil while other states had long lines. As in the chapter, let's assume that winter oil demand is higher in New Jersey than in California. If there had been *no* price controls, what would have happened to the prices of heating oil in New Jersey and in California and how would "greedy businesspeople" have responded to these price differences?