

Discussion Questions/Exercises

1. Why do we have public libraries? Why don't people rent books from firms, just as they rent trucks, Rototillers, and videos?
2. Some communities have a minimum age for their residents, for example 50 years old. What do you suppose is the rationale for such a limit?
3. Consider a city with 10,000 jobs in the central city and 20,000 jobs in a suburban jurisdiction. Suppose that black workers are confined to the central city, but whites can live in either jurisdiction. Suppose further that travel costs are so high that workers live and work in the same jurisdiction.
 - a. Under what circumstances will racial segregation not affect the wages of white and black workers?
 - b. Suppose that the circumstances you identify in (a) occur in 1960. Would you still expect them to have occurred in 2015?
4. Comment on the following statement: "Black central-city residents are poor because they do not have access to suburban employment opportunities. I propose that we supply each central-city household with a car and a gas and car maintenance allowance. Such a plan will reduce poverty at a relatively low cost."
5. In several states, the implementation of a welfare-reform package that forced many welfare recipients to work occurred at the same time as an increase in the minimum wage. Depict graphically the market effects of these two simultaneous changes on the market for low-skilled labor. To simplify, assume that the old minimum wage was actually the market-equilibrium wage.