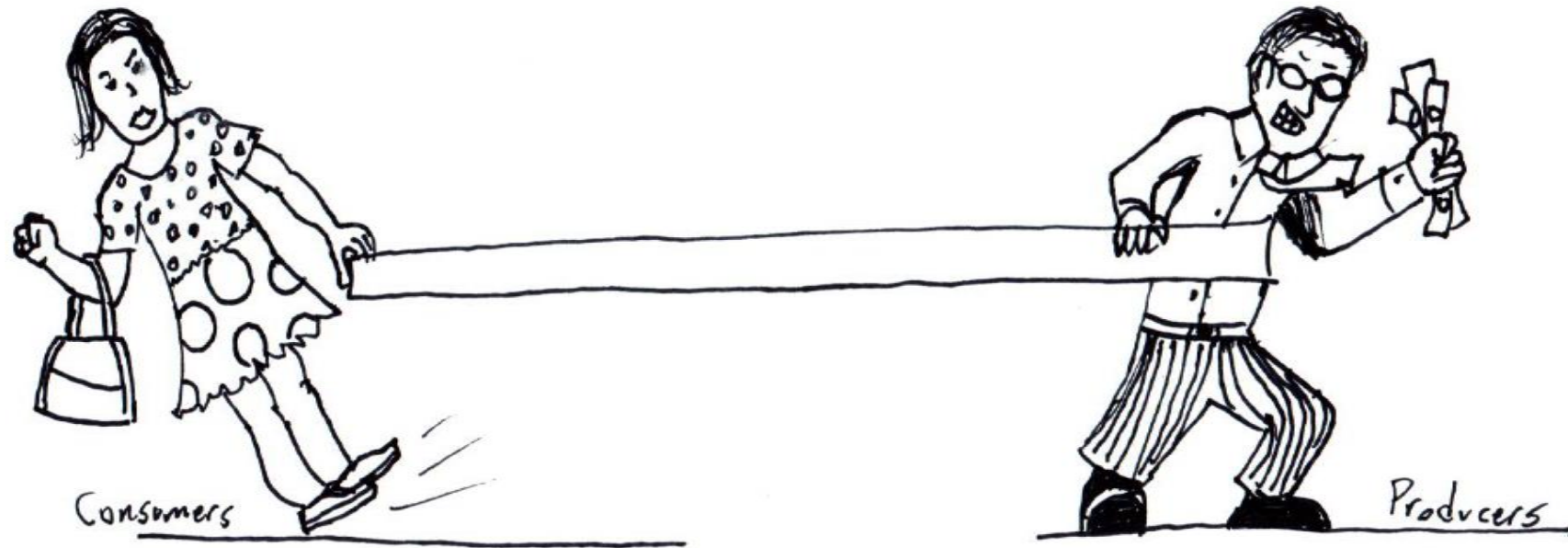


"Elasticity tug of war"



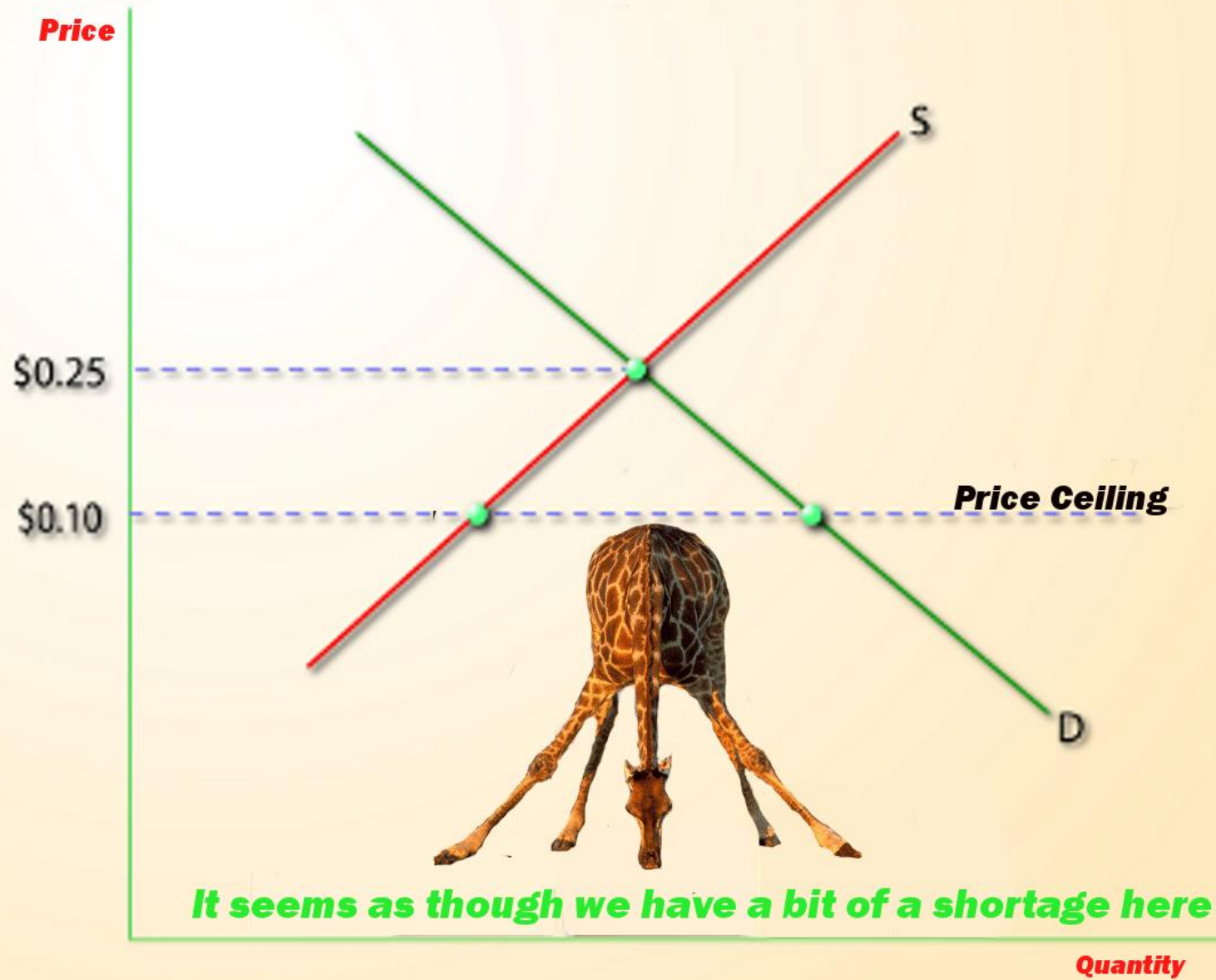
David Ashley

Don't Worry the Government  
Built this Floor  
there's no way we  
are going  
down!!

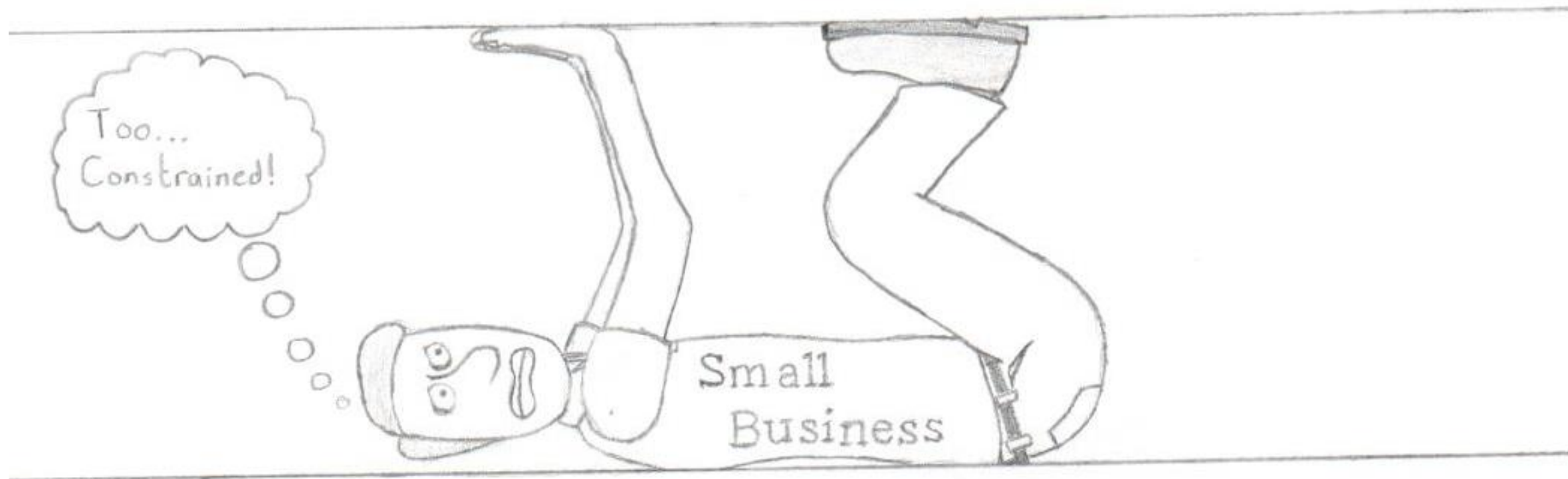


Equilibrium

## Effect of a Price Ceiling



# PRICE CEILING



# PRICE FLOOR

## II. Price Floor, p. 101

- A legal minimum on the price at which a good can be sold
- Example: Agricultural price supports





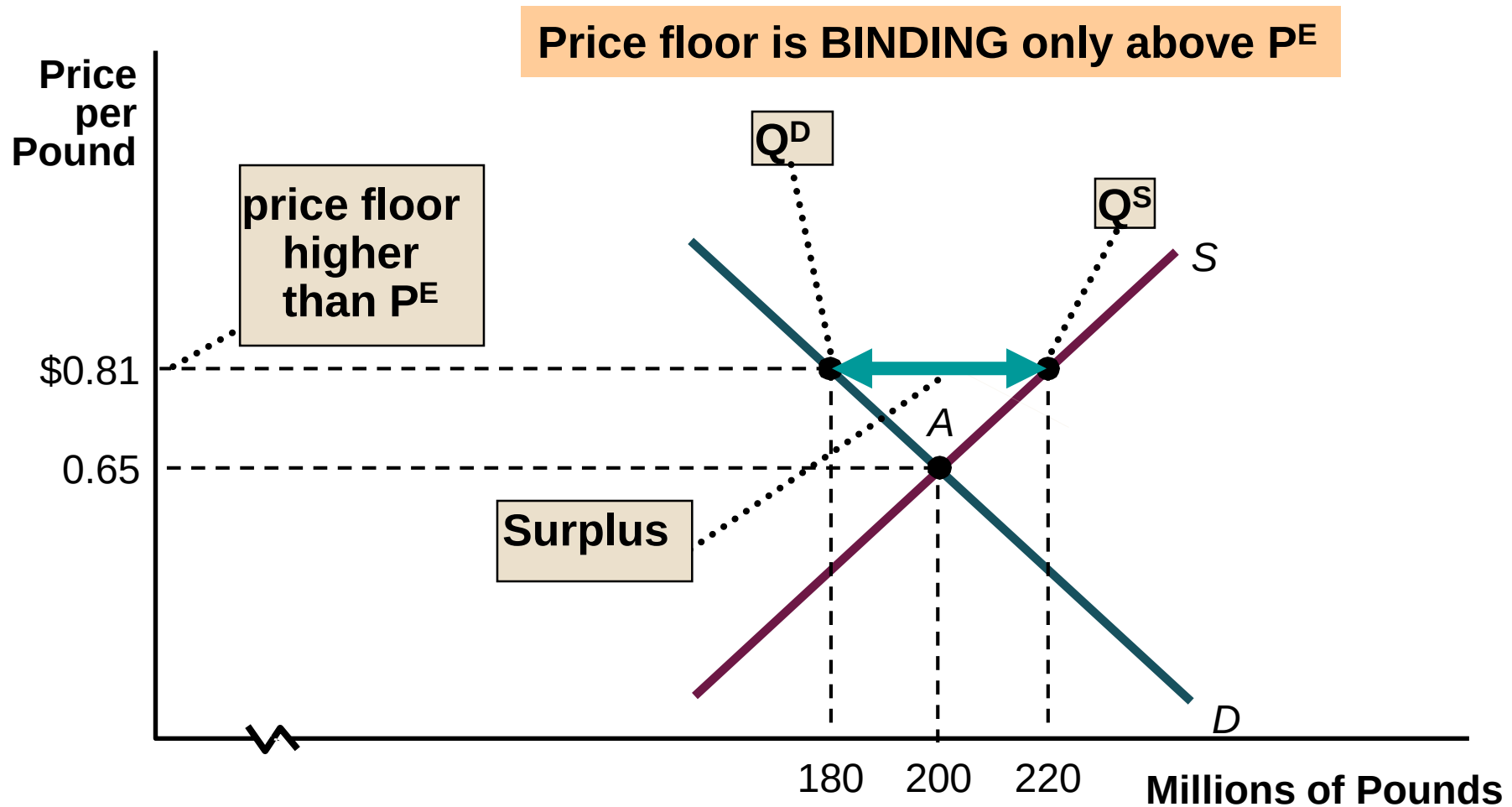


## Why government intervention in agricultural markets?

- Produces necessities
- Subject to natural disaster and volatile weather
- Market implications of “abundant” crop

# A Price Floor in the Market for Nonfat Dry Milk

## Price Floor - a lower limit set on a price





## Resource Markets, p. 102

- The market for inputs used to produce goods and services
- Factor markets
- ex. Labor markets



# The Minimum Wage (a price floor)

A brief history:

- 1938 first minimum wage 25 cents per hour (about \$4.36 in 2019 dollars)
- August 1996 Congress passed law to raise minimum wage to \$5.15 (from \$4.25)
- January 2007 Congress passed bill to raise federal minimum wage to \$7.25 over two years
- \$5.85 by July 2007
- \$6.55 by July 2008
- \$7.25 by July 2009
- Tiered Increase Program
- Minimum wage efforts- Democratic or Republican sponsored?
- Current proposals to raise federal minimum to
- \$10.10 general push last few years
- During last election:
- \$12 Hillary Clinton
- \$15 Bernie Sanders





Private Minimum Wage Efforts

- \$15 PER HOUR

# IClicker – REEF POLLING





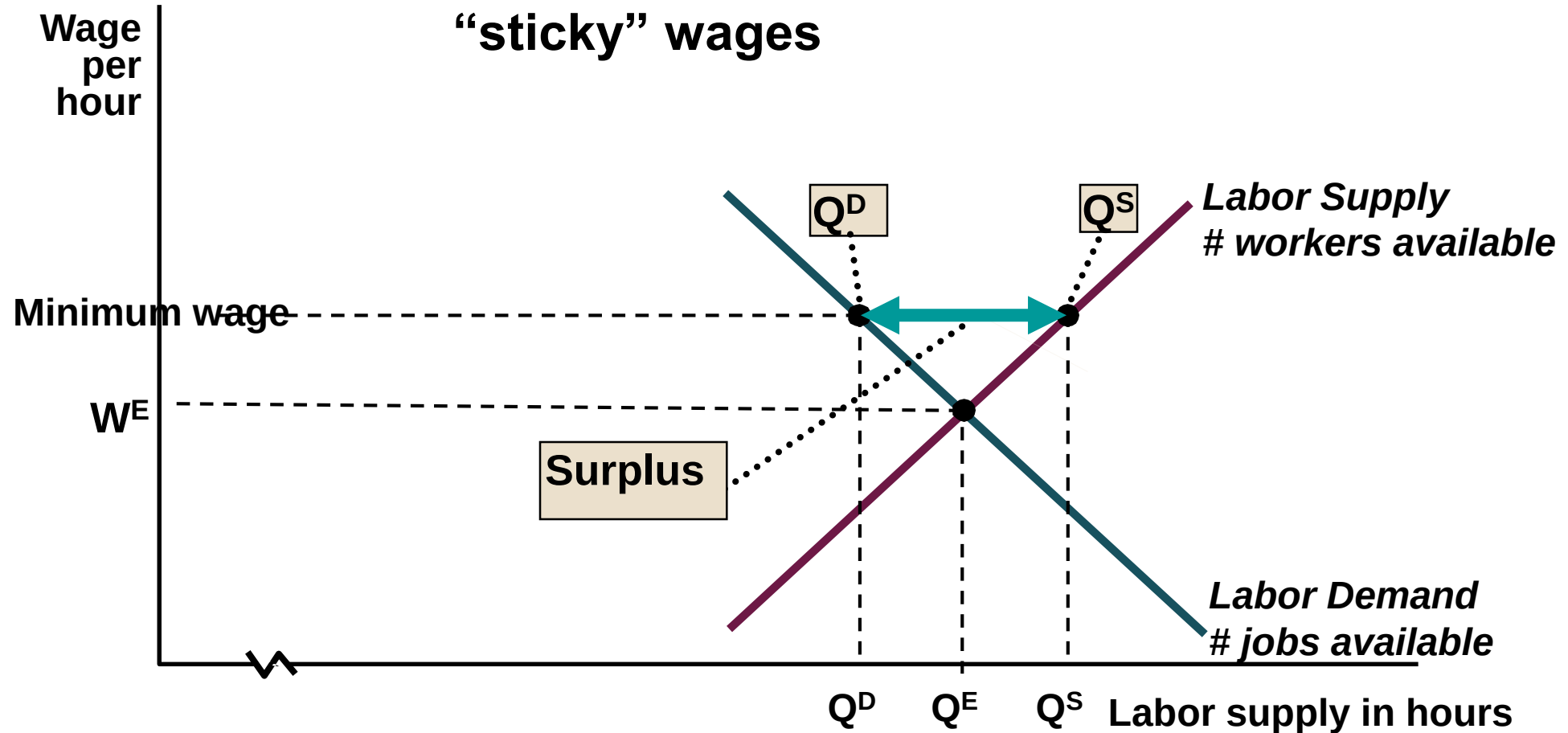
Which of the following  
applies to you?

- A. I do not work at the moment.
- B. I work at a job getting paid minimum wage.
- C. I work at a job getting paid more than minimum wage.



# Minimum Wage

**BINDING minimum wage leads to unemployment**

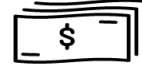




To think about.....  
Driving for Uber or Lyft

- Are fees “sticky” or do they move easily with market conditions?

# Minimum Wage by U.S. State as of July 1, 2018

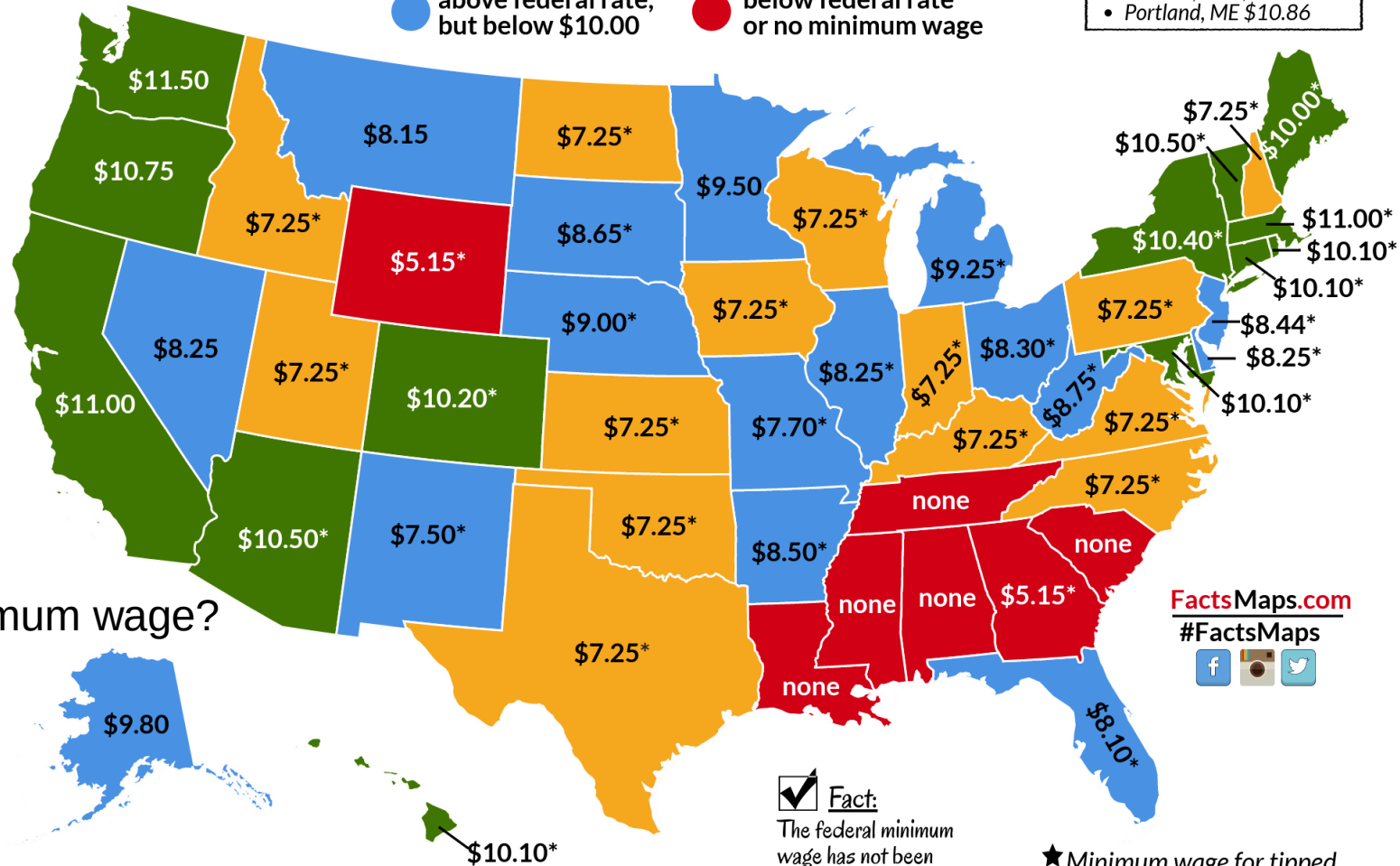


## Some local minimum wage rates:

- San Francisco, CA \$15.00
- Berkley, CA \$15.00
- Los Angeles, CA \$15.00
- Washington, DC \$13.25
- New York City, NY 13.00\*
- Oakland, CA \$12.86
- San Jose, CA \$12.00
- Portland, OR \$12.00
- Sana Fe, NM \$11.09
- Portland, ME \$10.86

- above \$10.00
- above federal rate, but below \$10.00
- federal rate
- below federal rate or no minimum wage

U.S. State Level  
Minimum Wage  
Chart



- Washington 11.50
- California 11.00
- Massachusetts 11.00\*
- Oregon 10.75
- Arizona 10.50\*
- Vermont 10.50\*
- New York 10.40\*
- Colorado 10.20\*
- Maryland 10.10\*
- Connecticut 10.10\*
- Hawaii 10.10\*
- Rhode Island 10.10\*
- Maine 10.00\*
- Alaska 9.80
- Minnesota 9.50
- Michigan 9.25\*
- Nebraska 9.00\*
- West Virginia 8.75\*
- South Dakota 8.65\*
- Arkansas 8.50\*
- New Jersey 8.44\*
- Ohio 8.30\*
- Delaware 8.25\*
- Illinois 8.25\*
- Nevada 8.25
- Montana 8.15
- Florida 8.10\*
- Missouri 7.70\*
- New Mexico 7.50\*
- Idaho 7.25\*
- Indiana 7.25\*
- Iowa 7.25\*
- Kansas 7.25\*
- Kentucky 7.25\*
- New Hampshire 7.25\*
- North Carolina 7.25\*
- North Dakota 7.25\*
- Oklahoma 7.25\*
- Pennsylvania 7.25\*
- Texas 7.25\*
- Utah 7.25\*
- Virginia 7.25\*
- Wisconsin 7.25\*
- Georgia 5.15\*
- Wyoming 5.15\*
- Alabama none
- Louisiana none
- Mississippi none
- South Carolina none
- Tennessee none

FactsMaps.com

#FactsMaps







Lexington, November 2015  
ordinance to increase minimum  
wage

- July 1, 2016 \$8.20
- July 1, 2017 \$9.15
- July 1, 2018 \$10.10

Is the minimum wage in Lexington binding at \$7.25?  
What evidence would we look for?

A few traditional  
arguments against  
raising minimum wage

- generates unemployment
- costs passed onto consumers
- minimum wage workers mostly teenagers
- increases high school drop out rates
- (only 20% min. wage workers from poor families)



## Arguments in favor of higher minimum wage

\$7.25 min. wage isn't binding

\$15,080 annual full time income at  
minimum wage of \$7.25 per hour,  
but \$25,750 poverty threshold for  
family of four

Worker dignity



Minimum  
wage  
discussion  
in a job  
interview

# IClicker – REEF POLLING



| Price (in \$s) | Quantity Demanded | Quantity Supplied |
|----------------|-------------------|-------------------|
| \$1,200        | 1                 | 13                |
| \$950          | 3                 | 11                |
| \$800          | 7                 | 7                 |
| \$640          | 9                 | 5                 |
| \$450          | 13                | 4                 |
| \$210          | 18                | 2                 |
| \$95           | 22                | 0                 |

**If a price floor is placed  
at \$950 in this market**

- A. There will be a surplus of 8 units.
- B. There will be a shortage of 8 units.
- C. There will be no shortage or surplus.

Thomas Corbett Econ 201

Tax Collectors





III.  
INTRODUCTION  
TO TAXATION,  
p. 105

Cody Baum  
Eco 201  
Quiz # 24  
12/3/13

# Income Tax Cartoon



## Why we tax?

- 1) To generate revenue for government**
- 2) Protectionist trade policy (tariff)**
- 3) To alter a behavior or activity that generates negative externalities**

# Sales Tax in Kentucky

**6% in Kentucky (on tangible goods and now services)**

**makes up about 34.9% of general tax fund**

**most food exempt**

**Services WERE exempt until just a few months ago**

***A FLAT tax* – same % for everyone**



More value for the  
way you live.

704 Euclid Ave.  
(859) 269-6804  
YOUR CASHIER WAS ALISSA

|    |                           |           |       |   |
|----|---------------------------|-----------|-------|---|
|    | RPET SHP BAG              |           | 0.99  | T |
|    | RPET SHP BAG              |           | 0.99  | T |
|    | RPET SHP BAG              |           | 0.99  | T |
|    | DIET PEPSI                | PC        | 3.00  | B |
| SC | Kroger + Savings          |           | 1.79  |   |
|    | MIKES LIGHT               |           | 8.49  | T |
|    | AGE VERIFICATION BYPASSED |           |       |   |
|    | GM OATML CSP              |           | 4.79  | F |
|    | KROGER PLUS CUSTOMER      | *****1244 |       |   |
|    | KRO CEREAL                |           | 2.49  | F |
|    | KRO SKM MLK               | PC        | 2.79  | F |
| SC | Kroger + Savings          |           | 0.30  |   |
|    | SIMPLY JUICE              |           | 2.14  | B |
|    | PRDF TURKEY               |           | 13.40 | F |
|    | TKYH GRN TEA              |           | 2.69  | F |
|    | FSEL ROMAINE BLEN         |           | 2.59  | F |
|    | KRO BROTH                 | PC        | 1.50  | F |
| SC | Kroger + Savings          |           | 0.09  |   |
|    | FBR1 90 BARS              | <C        | 2.50  | F |
| SC | Kroger + Savings          |           | 1.49  |   |
|    | KRO FAC TSU               |           | 1.25  | T |

|    |                    |    |        |   |
|----|--------------------|----|--------|---|
|    | CHEEZ ITS          |    | 3.08   | F |
|    | CHEEZ ITS          |    | 3.08   | F |
|    | HLTL HD BUNS       | PC | 1.99   | F |
| SC | Kroger + Savings   |    | 0.30   |   |
|    | CFMT FF CRMR       | PC | 2.99   | F |
| SC | Kroger + Savings   |    | 0.55   |   |
|    | BLSTX LIPBLM       |    | 1.67   | T |
|    | VELOCITY PNCL      |    | 1.99   | T |
|    | KRO CTG CHS        |    | 2.07   | F |
|    | KRO BRATWRST       | PC | 2.89   | F |
| SC | Kroger + Savings   |    | 0.40   |   |
|    | KRO TKY LINK       | PC | 2.89   | F |
| SC | Kroger + Savings   |    | 0.40   |   |
|    | OSCM TURKEY        |    | 3.27   | F |
|    | 2.58 lb @ 0.59 /lb |    |        |   |
| WT | BANANAS            |    | 1.52   | F |
|    | ANTM BREAD         |    | 2.39   | F |
|    | KRO ALMONDS        | PC | 4.99   | F |
| SC | Kroger + Savings   |    | 0.60   |   |
|    | 2.01 lb @ 1.99 /lb |    |        |   |
| WT | GRAPES RED         |    | 4.00   | F |
|    | CDLT JAR CDL       | PC | 4.99   | T |
| SC | Kroger + Savings   |    | 2.00   |   |
|    | CDLT JAR CDL       | PC | 4.99   | T |
| SC | Kroger + Savings   |    | 2.00   |   |
|    | CDLT JAR CDL       | PC | 4.99   | T |
| SC | Kroger + Savings   |    | 2.00   |   |
|    | KRO CLRY HRT       |    | 2.19   | F |
|    | TAX                |    | 2.19   |   |
|    | **** BALANCE       |    | 108.77 |   |

## p. 105

- Tax Base - \$ amount that is taxed
- (\$36.5 Kroger)
- Tax Rate - % at which something is taxed
- (6%)
- Tax Liability - \$ amount paid in taxes
- (\$2.19)
- Recent Tax Reform in KY: Broadened BASE to include services, but didn't change rate



Excise Tax:  
Federal or  
state tax  
placed on the  
sale or  
manufacture of  
a commodity  
p. 106





## Gasoline Excise Taxes

### Federal

- 18.4 cents per gallon
- (last raised 1993)

### State

- KY 24.6¢ per gallon

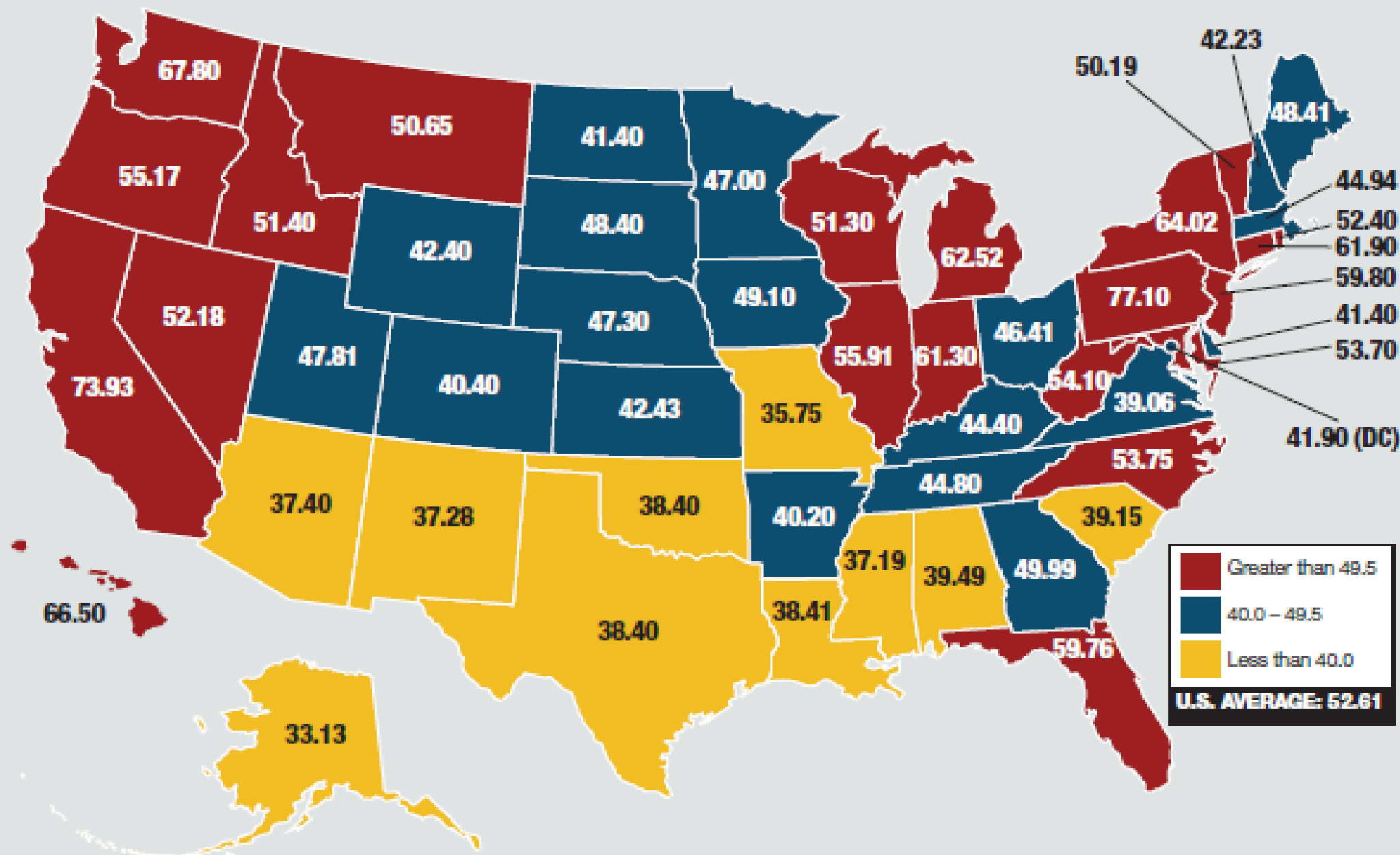
### Local

- 1.4 cents per gallon
- KY total 44.4 cents
- US average 52.61 cents

**GASOLINE TAXES**

COMBINED LOCAL, STATE AND FEDERAL (CENTS PER GALLON)

RATES EFFECTIVE 10/01/2018







## Excise Taxes – alcohol, p. 106

Federal taxes at wholesale level

In Kentucky most taxes at wholesale level, - but in April 1, 2009 added 6% sales tax



## Cigarette Taxes, p. 106

### Federal

- \$1.01 per pack

### State

- \$1.10 cents per pack (as of July 2018)  
was 60 cents a year ago

### With excise taxes:

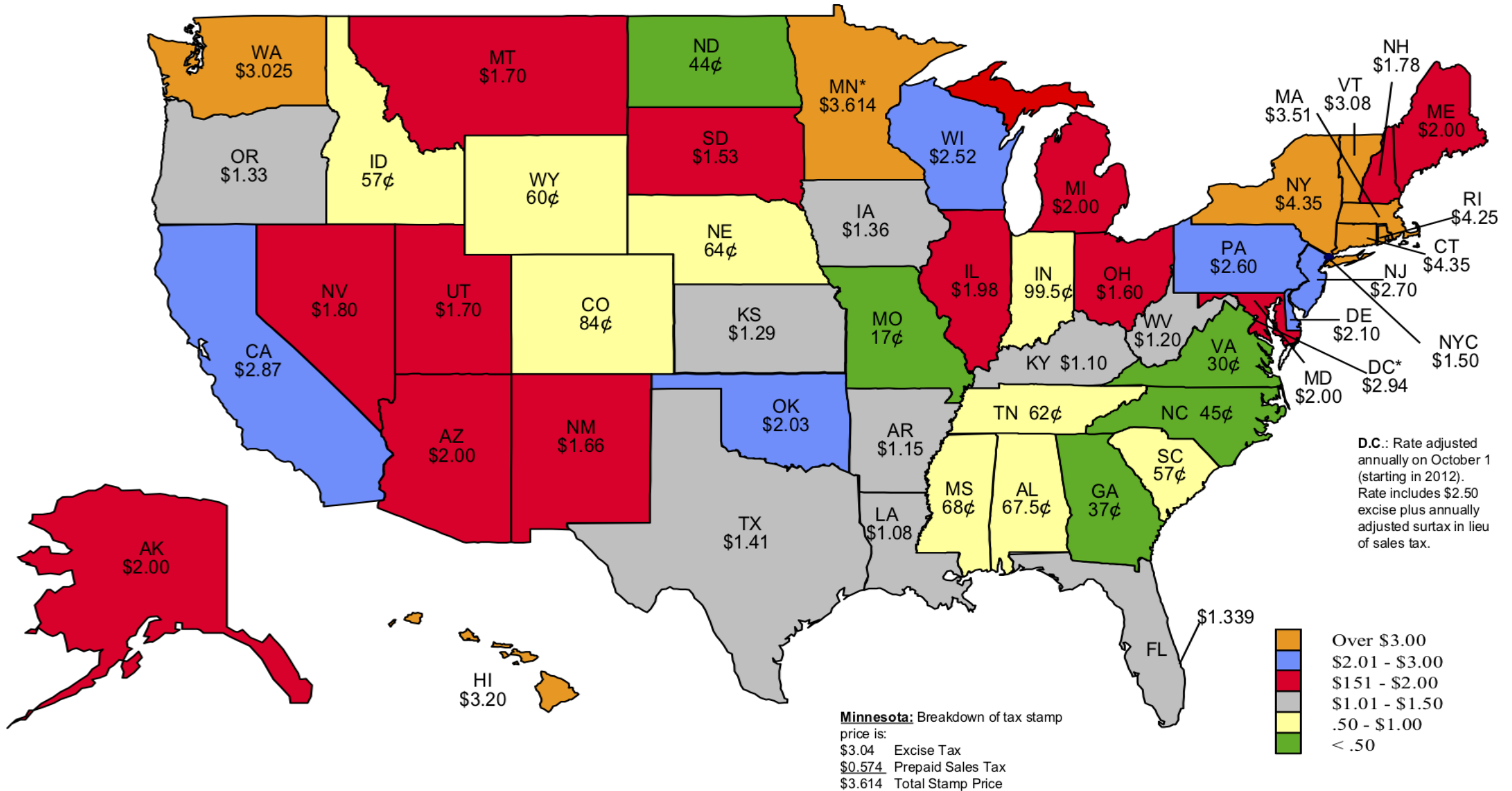
- State collects from seller and sends federal share to fed. Gov't.

Issues with contiguous states



# State Cigarette Excise Tax Rates

## Per 20-pack



Note: Federal excise tax is \$1.01 per pack.

July 1, 2018





# Smuggling – Illegal movement of goods

