

# PROJECT: PRICE CONTROLS

Each day, you are faced with choices. You have to decide how to use your resources. For example, should you use some of your allowance money to buy new clothes? Or should you save your money toward buying a computer? There are costs and benefits for each decision. Governments are also faced with decisions, such as whether or not to use price controls. You already know about the costs and benefits of a specific price control called rent control. In this project, you will assess rent control while playing the role of a minimum wage earner.

## VOCABULARY

<b>efficiency</b>	using resources effectively, without wasting them
<b>personal income</b>	money that a person has to buy goods and services
<b>rent control</b>	maximum amount that a property owner can charge a renter
<b>shortage</b>	when buyers want to purchase more than the producers want to sell at the given price

## Project

You have learned how the market functions with price controls. Now it is your turn to experience and assess a specific price control. First, you will play the role of a minimum wage earner who is looking for an apartment. Next, you will explore the impact of **rent control** on your **personal income**. Finally, you will give your opinion on the effectiveness and implementation of rent control. To complete the project, follow the steps below:

1. Suppose you work in a job that pays the Michigan minimum wage, or \$9.25 per hour. Calculate how much you would earn in a week if you worked forty hours a week. This is considered working full-time (Monday through Friday, eight hours per day). (Hint: Multiply the number of your work hours by the minimum wage.)
  
2. Next, figure out how much money you would earn in a month. (Hint: Multiply your weekly earnings by four.) Then calculate how much money you would earn in a year. (Hint: Multiply your monthly earnings by twelve.) Remember that these amounts are higher than what you would actually take home, because money (for

taxes) is taken out of your pay in real life. But for this exercise, assume that you take home your full pay.

3. List four cities in the United States and find the average monthly costs of renting a one-bedroom apartment in each city. To find rents for different cities, you might want to type "average rent for one bedroom apartment [insert city]" into your search engine. Try to choose one city from each region in the United States: West Coast, Midwest, South, and East Coast. For example, you might choose Portland, Chicago, Houston, and New York.

City

Rent

- a.
- b.
- c.
- d.

4. Assume that your only personal income comes from your wages.
  - o Which cities are too expensive for you to be able to rent an apartment?
  - o In which cities can you afford to rent an apartment?
  - o In the cities where you can afford to live, how much personal income will you have left over each month after you pay your rent? This is the amount of money that you have for all other expenses, including heat, food, clothing, transportation, furniture, and entertainment.
5. Imagine that a rent control of \$600 a month is imposed for some of the apartments in the city where you choose to live. In 1 or 2 sentences, describe how this would increase your monthly personal income. Now suppose the rent control has also caused a housing **shortage**, and you cannot find an apartment to live in for \$600. In 1 or 2 sentences, explain how this would affect your living conditions.

6. Finally, in one paragraph of four to five sentences, explain your view on the effectiveness of rent control and whether you think it should be used. Include your opinion on the effects of rent control on: affordable housing; economic *efficiency*; amount of available apartments; and quality of apartments.