**Illustrate the following with supply and demand curves.**

1. Before economic reforms were implemented in the countries of Eastern Europe, regulation held the price of bread substantially below equilibrium. When reforms were implemented, prices were deregulated and the price of bread rose dramatically. Illustrate the market for bread before reforms and show the impact of reforms on quantity demanded and quantity supplied.
2. The U.S. government administers two programs that affect the market for cigarettes. Media campaigns and labeling requirements are aimed at making the public award of the health dangers of cigarettes. At the same time, the Department of Agriculture maintains price supports for tobacco. Under this program, the supported price is above the market equilibrium price and the government limits the amount of land that can be devoted to tobacco production. Illustrate graphically the effects of both policies on the market for cigarettes. In your discussion answer the following: Are these two programs at odds with the goal of reducing cigarette consumption?
3. A number of towns in the United States have begun charging their residents for garbage pickup based on the number of garbage cans filled per week. The town of Chace decided to increase its per can price from 10 cents to 20 cents per week. In the first week Chase found that the number of cans that were brought to the curb fell from 550 to 525 (although city workers complained that the cans were heavier). A senior seminar economics class ran the numbers, informed their professor that demand for disposal was inelastic, and wrote a letter that recommended that the city raise the price more to maximize town revenue from the program. At the end of the next senior seminar, one year later, the new class discovered that, at a price of 30 cents per can, the number of cans has fallen to 125 and two revenues are down. (A) Compute the price elasticity of demand in the first and second cases. (B) Explain what may have happened, including factors that affect price elasticity of demand.