

ECO 120: Macroeconomics
In-class Exercise: Supply and Demand

Your Name: _____

Learning Objectives:

LO 2: Apply the supply and demand model to predict quantity and price outcomes of a number of different markets, including markets for currencies, labor, and loanable funds.

Directions: Work in groups of up to four people and answer the following questions. *When using graphs, you must clearly and correctly label all axis and curves to receive non-zero credit for an answer.* All papers will be collected, but only one member's paper will be randomly selected and graded and all members of the group will receive the same grade.

By signing below, you agree that the following work represents the efforts of everyone in the group, and you are willing to accept as your own grade for the group project the grade earned from this representation of your group's work. Every member must agree to these terms to earn a non-zero grade for this assignment.

_____ Signature Group Member 1	_____ Print Name	_____ Date
_____ Signature Group Member 2	_____ Print Name	_____ Date
_____ Signature Group Member 3	_____ Print Name	_____ Date
_____ Signature Group Member 4	_____ Print Name	_____ Date

For each of the following problems, read the scenario and determine the following (in order):

- Does the scenario cause a shift in the demand and/or supply curve? If so, which curve, which direction?
 - Draw the supply and demand curves with appropriate shifts.
 - Label the original and new equilibrium price and quantities.
 - What is the impact of the scenario on price? What is the impact on quantity?
1. (11 points) The federal government increases its regulations on child care services, requiring higher levels of training and education for child care workers. Describe the impact on the child care market.

2. (11 points) The federal government overhauls the health insurance industry, requiring people to have adequate levels of health insurance and providing assistance to those with low incomes to allow them to buy health insurance. With more people insured, describe the impact on the health services market.

3. (11 points) More people have become increasingly concerned about the adverse effects on the environment from burning fossil fuels. Describe the impact this concern has had on the market for trucks and sports utility vehicles. What is the impact on total revenue for American automobile producers that have tended to specialize in these types of vehicles?

4. (11 points) During the most recent recession, job prospects for recent high school graduates were low. Assume that while the recession might cause a temporary decrease in income, income earned over an entire lifetime of a recent high school graduate is not affected. Describe the impact the recession has on the market for college education for two-year-type degrees (technical colleges, community colleges, etc).

5. (11 points) Walmart sells a number of inferior goods, such as inexpensive off-brand clothing, off-brand food, etc. The most recent recession was accompanied with decreases in income for people across the country. What is the impact on the market for inferior goods at Walmart. What is the impact on Walmart's total revenue earned from inferior goods?

6. (11 points) Throughout 2007 and 2008 there was an increase in demand for ethanol based fuel. Much of the ethanol produced in the United States is made from corn, which requires farmland. Describe the impact on the market for food made from corn.
7. In 2009 and 2010, the federal government offered first time home buyers \$8,000 free money (they called it a tax credit) if they purchased a house before April 2010.
- (a) (11 points) Describe the impact on the housing market up until April 2010.
- (b) (11 points) Predict the impact on the housing market after April 2010.
8. (12 points) Think about how you accomplished the general education learning outcome to improve your creative and critical thinking skills. What model did you use? Describe some aspects of a real world scenario that you better understand with the model.