

In-class Exercise: Supply and Demand

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.

GELO 2: Students will be able to construct and use models to analyze, explain, and predict phenomena.

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.

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) Explain how you accomplished general education learning outcome #2. What model did you use? What phenomena did you explain?