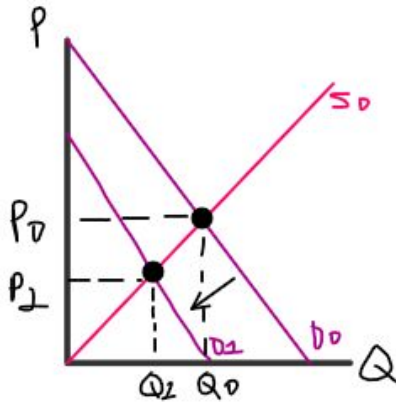


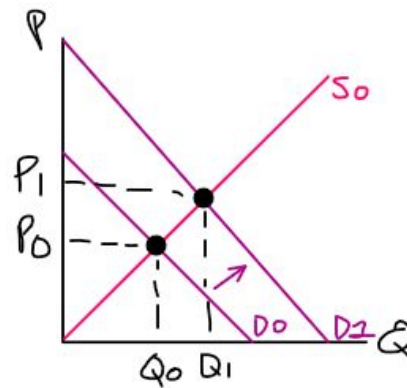
- The United States comes out of a recession, so incomes begin to rise. How will this impact the market for new cars? What about used cars? Draw both graphs.

Income increased and used cars are inferior goods, so demand for used cars decreased and demand for new cars increased.



Market for Used Cars

$P \downarrow$
 $Q \downarrow$

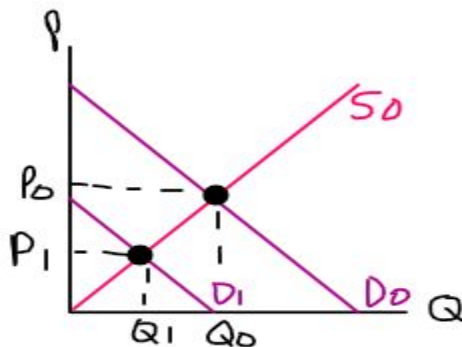


Market for New Cars

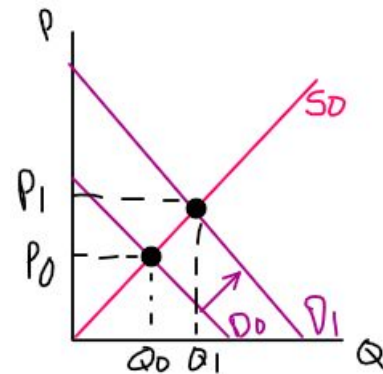
$P \uparrow$
 $Q \uparrow$

- Government **announces** that a new green energy subsidy program will begin in January of next year. Consumers of hybrid and alternative fuel vehicles will be eligible for a 40% rebate on the purchase price. How will this impact both the **CURRENT AND FUTURE** markets for these green cars? Draw both graphs.

Current demand for green cars decreased and demand for future green cars increase due to expectations of future price



Current Market



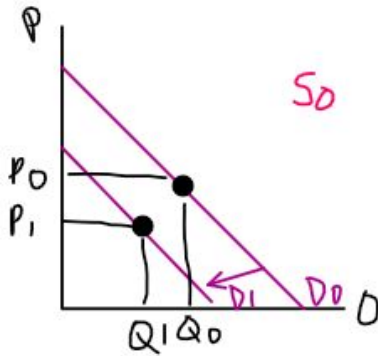
Future Market

P ↓
Q ↓

P ↑
Q ↑

3. A governmental report comes out suggesting that, contrary to previous studies, consumption of red wine increases the risks of certain types of cancers in people over 40. Based on this, how will the market for red wine be impacted?

Demand for red wine decreases due to decrease in number of demanders.

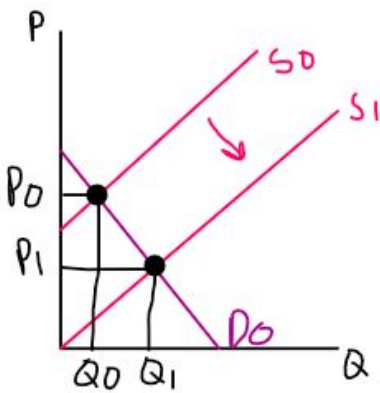


Market for Red Wine

P ↓
Q ↓

4. There is a technological advance related to production of semi-conductors. How does this impact the market for semi-conductors?

Supply for semi-conductors will increase due to a technological advance.

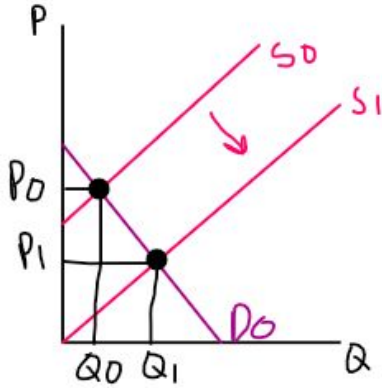


Market for semi-conductors

$P \downarrow$
 $Q \uparrow$

5. How does that impact the market for good X, which uses semi-conductors in the production process?

Supply for good X will increase due to decrease in price of inputs.

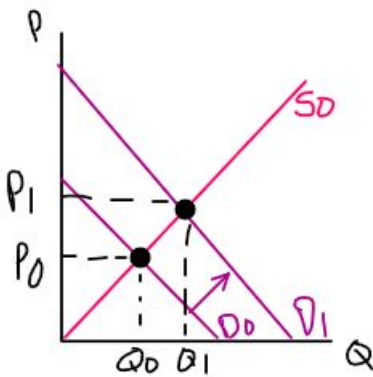


Market for good X

$P \downarrow$
 $Q \uparrow$

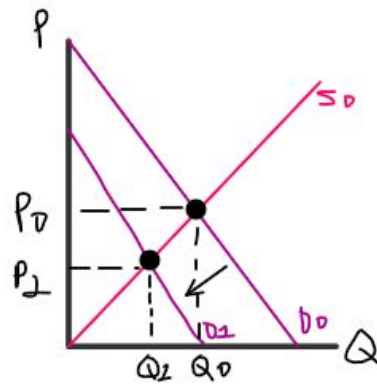
6. There is a severe frost in Central America that impacts the tomatoes grown there. How does that impact the market for tomatoes grown in the United States? Draw both graphs.

Price for related goods increased so demand for domestic goods increased.



Market for domestic tomatoes

$P \uparrow$
 $Q \uparrow$

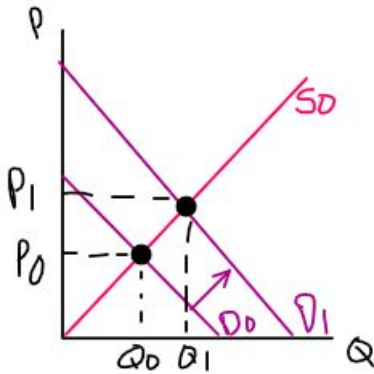


Market for foreign tomatoes

$P \downarrow$
 $Q \downarrow$

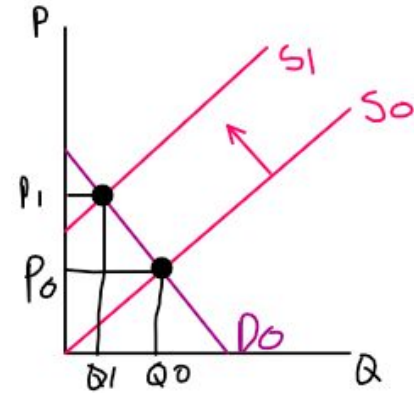
7. Trade barriers are used to decrease the amount of foreign wheat entering the USA. How does this impact the market for foreign wheat in the US? And, how does it impact the market for domestic wheat? Draw both graphs.

Trade barriers decreased number of suppliers for foreign wheat, so supply decreased. Increase in price of related goods increased demand for domestic wheat



Market for domestic wheat

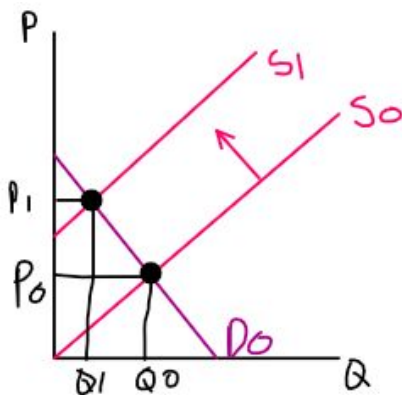
$P \uparrow$
 $Q \uparrow$



Market for foreign wheat

$P \uparrow$
 $Q \downarrow$

8. Given what you learned in (8), how does the trade barrier on imported wheat impact the market for flour in the USA?
Price of inputs increased so supply of flour decreased.



Market for Flour

$P \uparrow$
 $Q \downarrow$