

Place your name on the back of this sheet of paper and nowhere else. Staple your answers face up on the front of this sheet of paper. Failure to follow these directions will cost you 10 points. Your assignment will be typed, except graphs can be drawn by hand and mathematical equations can be done by hand. Failure to type it will cost you 10 points. If you use double-sided printing or print on the back of scrap paper, I will give you one additional point.

- 1) (20 points) Draw the supply and demand for wool hats. Illustrate the effects of the weather forecast for this weekend (1/26-1/28) where the predicted lows are around  $0^{\circ}$ . Explain why the curve(s) moved as drawn. What happens to the price of hats and the quantity sold?
- 2) (20 points) Draw the supply and demand for clothing. Illustrate the effects of an increase in the hourly wage paid to the seamstresses. Explain why the curve(s) moved as drawn. What happens to the price of clothing and the quantity sold?
- 3) (20 points) Draw the supply and demand for corn in the grocery store. Illustrate the effects of an increase in the quantity of ethanol produced. (Ethanol comes from corn.) Explain why the curve(s) moved as drawn. What happens to the price of corn and the quantity sold?
- 4) (20 points) Draw the supply and demand for wheat. Illustrate the effects of a price floor. Explain why the diagram looks as drawn. What problem is created? How does the market reduce that problem? Explain your logic.
- 5) (20 points) Draw the supply and demand for computers. Illustrate the effect of a quota on computers. Explain why the diagram looks as drawn. What happens to the price and quantity? Are consumers helped or hurt? Explain your logic. Are producers helped or hurt? Explain your logic.