

# ECON 101

## TA Worksheet, Module 4 (Markets and Equilibrium)

Name: \_\_\_\_\_

TA: \_\_\_\_\_

1. Show what happens to our Supply and Demand model when input prices rise. Label the starting point (initial equilibrium) A and the end point B.
2. What do we mean when we say a price is “too low”? How does a market respond to this scenario? Draw it.
3. Draw and explain what you think would happen to the local housing market as interest (mortgage) rates rise AND local companies increase hiring. (higher mortgage rates make buying houses costlier but is NOT the same thing as the price of the house).

4. What's wrong with this statement? "Demand increased so supply must increase (shift out) too since people want to buy more."

5. Suppose  $Q_d = 20 - 2P$  and  $Q_s = P - 4$

a. Solve the system for  $P$  and  $Q$

b. Graph the system below (don't forget to solve for  $P$  to make it easier). Show the equilibrium point.

