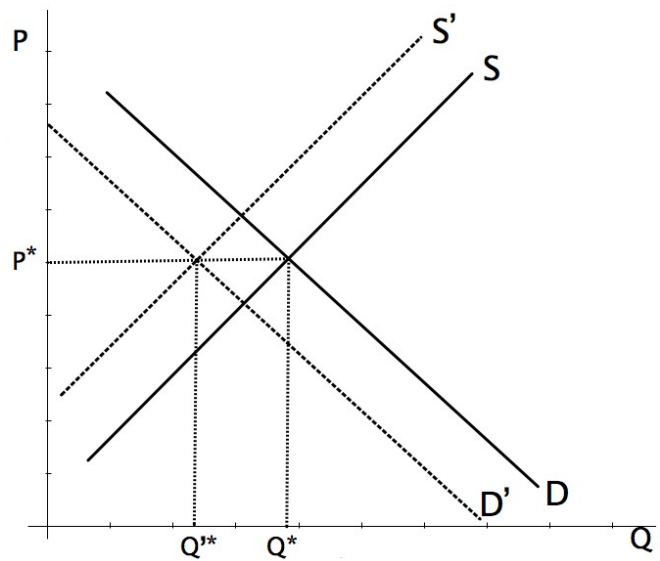
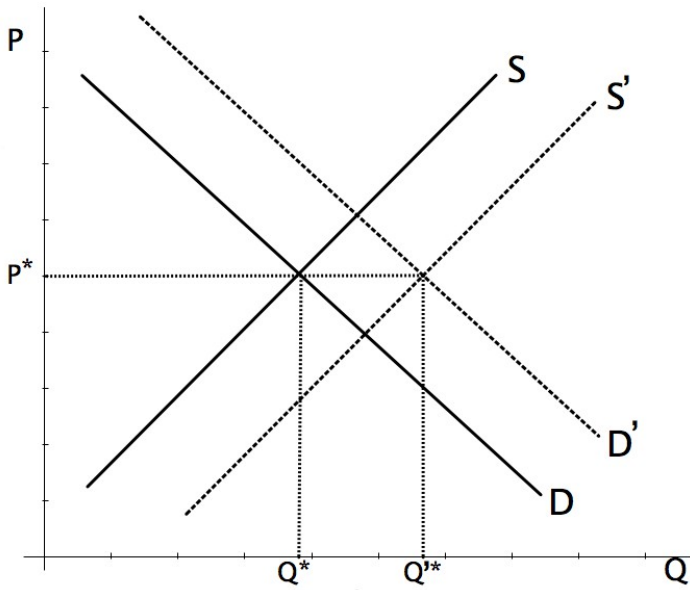


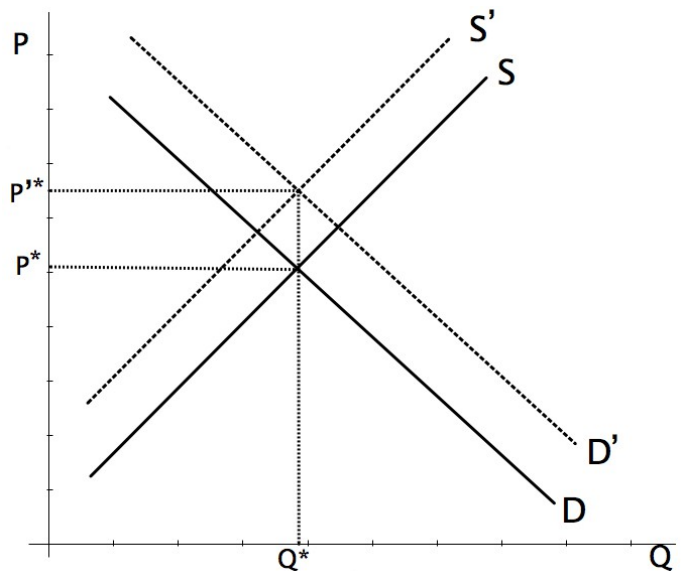
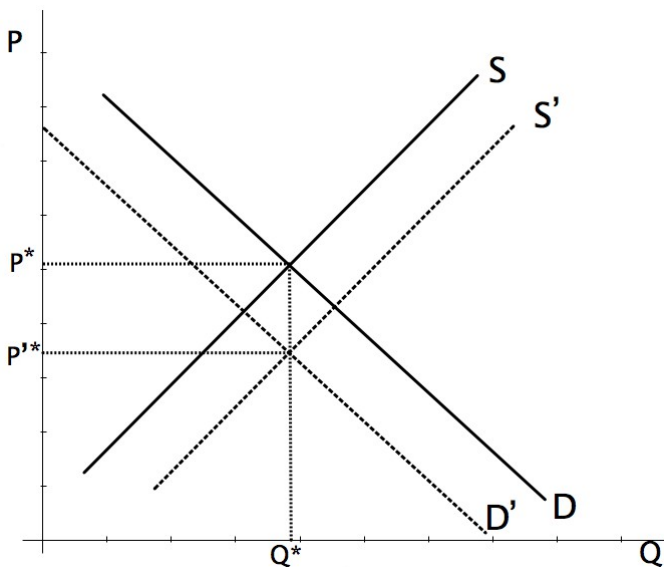
Week 4 Solutions

Exercise 1

		Supply	
		Increase	Decrease
Demand	Increase	Quantity: + Price: ?	Quantity: ? Price: +
	Decrease	Quantity: ? Price: -	Quantity: - Price: ?



Exercise 2



Exercise 3

- a) The supply is unaffected because none of the immigrants are involved in the production of bread. The demand increases because there are more people willing to buy bread. $P \uparrow, Q \uparrow$
- b) The supply shifts out because each firm can produce more processors for a given price. Demand is unaffected. $P \downarrow, Q \uparrow$
- c) Automakers already have their inventory set since it takes time to produce the car so supply is unaffected. Demand falls because consumers are less willing to buy cars. $P \downarrow, Q \downarrow$
- d) Demand is unaffected because people still eat the same amount of food. The supply shifts inward because there are fewer restaurants available to produce meals. $P \uparrow, Q \downarrow$
- e) Supply increases since there are more producers/farms in Wisconsin. Demand increases because the workers will also consume dairy. $P \uparrow, Q \uparrow$

Exercise 4

Three suggestions:

1. First woman ever of the US Federal Reserve Bank.
2. Determines when to raise short-term interest rates.
3. How/when to end quantitative easing.