# Hurricane evacuation

When people evacuate because of a hurricane, they often go to nearby towns. This increases demand for housing in the nearby towns.

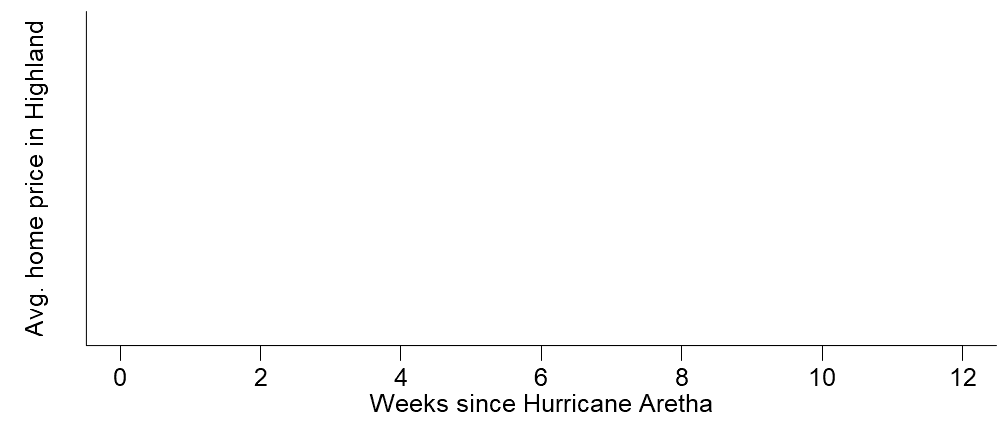
Hurricane Aretha and Hurricane Gladys hit the city of Lowland a few years apart. Each hurricane caused widespread flooding in the city of Lowland that required 80% of the people in the city to evacuate to the city of Highland. Those 80% then discovered that their homes were destroyed. The differences for this assignment were only in how the government responded to the disaster.

**Response to Hurricane Aretha**: The government pays for the displaced residents of Lowland to rebuild their homes in Lowland (this is a very simplified version of current policies). Suppose it takes about a month to rebuild (probably too optimistic).

**Response to Hurricane Gladys**: In a new policy, the government pays for the displaced residents of Lowland to instead buy a home in Highland. Assume that the new residents of Highland do not push out the old residents. The home purchase subsidy takes about a month to process.

In both cases, the number of people living in Highland will be the same for the first few weeks. But in one case, that number will fall soon afterward, and in the other it will not. The same number of people will be living in Highland a year after Hurricane Gladys as were living in Highland in the week after either hurricane.

Use ideas about elasticity of housing supply to describe what will happen to the price of housing in Highland over time in response to each hurricane. Draw out what happens with prices over time in each case using graphs like the one below.



# Dairy prices

Suppose that legislators decide that dairy products are too expensive and that their high price is hurting pregnant women and women who recently had a baby. The government passes a law stating that milk cannot be sold in the US for more than $0.40/gallon (today, it is usually at least $1.50 per gallon and can be as much as $4 per gallon, so this is a big change). The law also sets a maximum price for cheese at $2 per pound (again, a big cut in price). Show the effects of this law using a graph of supply and demand. Explain what happens to the price, quantity supplied, and quantity demanded for dairy products. Show any shortage or surplus on the graph. What will the experience of buying dairy products be like for customers? Who benefits from this policy? Who loses? Would the law succeed in making it less costly for lower-income mothers to obtain dairy products? Show the price that consumers are willing to pay for the quantity that is supplied. What do you think this difference between the “demand price” and the legislated price will do? What will happen to the quality of cheese sold in the US?

# Climate change policy

Climate change is so hot right now. Over a quarter of greenhouse gas emissions in the US come from burning fossil fuels to power transportation (cars, planes, boats, etc.).

California recently announced an upcoming ban on new cars that burn fossil fuels. Many European countries have done the same. The laws typically require that any new cars sold in the state after some date in the early 2030s must be carbon neutral.

Describe potential effects of the policy.

* How will the ban affect the market for new gas-powered cars, hydrogen fuel cell and electric cars, and used gas-powered cars?
* If people expect the ban to come into force later, how does it affect behavior today? Will the effects be different once the ban is in force?

Note: There may be reasons for supply of some types of cars to shift, but you need to be very careful about the reasons.

# Price of oil

The figure below presents data on the price of crude petrol and the amount purchased over time. These are actual data, but I modified the scales to make the question easier. Pick some time period from the graph and explain what happened to supply and demand to produce the data during that period. Focus only on major changes.

Chart, line chart

Description automatically generated

# Rent control

Rents typically rise over time as population grows and becomes more urban, which drives up demand. Suppose that rents typically rise at 4% per year and that a new rent control law says that they cannot rise more than 1% in any year.

1. Show what will happen in the market for rental properties. Be explicit about price, quantity supplied, and quantity demanded (show them on a graph).
2. How much will renters be willing to pay for the quantity of rental properties supplied in part a? Show this on a graph.
3. What will this do to the incentives for landlords to discriminate against minorities or people they just don’t like?
4. What will happen to how quickly landlords fix broken appliances?

# Seafood versus landfood

Have you ever noticed that we eat a lot of wild-caught seafood but not much wild-caught landfood? I have never seen wild boar meat at a grocery store. Describe some possible reasons for the difference using economic concepts.