

Name _____

Rules of the Game: How Government Policies Shape Supply and Demand

Short Answer Key

1. An example of a government subsidy that can affect the supply of a specific product is the agricultural subsidy provided to farmers to encourage the production of certain crops, such as corn or wheat. This subsidy can lead to increased supply as farmers are incentivized to produce more of the subsidized crop.
2. Government regulations aimed at reducing pollution can impact both supply and demand in an industry. For example, stricter emissions standards for automobiles can increase production costs for car manufacturers, reducing the supply of affordable vehicles. Simultaneously, consumer demand for environmentally friendly cars may increase, shifting demand toward electric or hybrid vehicles.
3. Government funding in the education sector can influence supply by determining the number of schools and teachers available. It can also affect demand by ensuring that education is accessible to a broader population, increasing the demand for quality education.
4. Government policies that require health insurance coverage can impact the demand for healthcare services by making it more accessible to a broader population. When people have health insurance, they are more likely to seek medical services, leading to increased demand for healthcare.

