The textbook listed the following four assumptions we make when we study a market using the supply and demand model:

- Assumption 1: We focus on supply and demand in a single market.
- Assumption 2: All goods sold in the market are identical.
- Assumption 3: All goods sold in the market sell for the same price and everyone has the same information.
- Assumption 4: There are many producers and consumers in the market.

Working together as a group, answer each of the following questions. Someone in your group should type up your answers on a laptop so that you can email me your answers during class. (Send them in a word document to themattsimpson@gmail.com)

1. The first assumption tells us to ignore what is happening in other markets except for when those markets directly impact the supply or demand curves of the market we are studying. Consider the market for burritos in Ames from yesterday’s class. Write down at least one way in which this market violates the first assumption.

2. Write down at least one way in which the burrito market violates the second assumption.

3. Write down at least one way in which the burrito market violates the third assumption.

4. Write down at least one way in which the burrito market violates the fourth assumption.

5. Hopefully you’ve found one way in which every single assumption of the supply and demand model is violated in the market for burritos. Given this, do you think the model is useful for understanding how the market operates? Why or why not? (Be specific! If you think it helps understand some aspects of the market but not others, tell me and tell me why!)