**ECO 156, Fall 2026, Required Assignment #1**

Applications to Supply and Demand: Higher Education and Energy

The purpose of this assignment is two-fold. First, while this class is mostly theoretical, I also want to expose students to the process of collecting and using economic data. You will thus be asked to obtain and present relevant data on crude oil. Second, you will apply the supply and demand model developed in class to the markets for higher education and crude oil.

*Instructions* Answer each of the following questions. Most questions can be effectively answered in a few concise sentences. Submit your assignment via this Google form. You will need to be logged into your Bates account to access the link.

*Part I: Higher Education*: For many decades, the cost of college in the United States has risen faster than the general rate of inflation.

1. Provide some evidence that my claim about rising tuition is true. Pay attention to whether your source considers the listed price (*a.k.a.* "sticker price") of college or what students actually pay. For citations, I recommend the Chicago Style, although you are free to use other widely used methods such as APA or MLA.

2. Economist William Baumol has argued that "cost disease" helps explain why college tuition has risen so much? What is cost disease? Provide a proper citation and, using a model of supply and demand, show how it could leaf to higher tuition.

3. Former U.S. Education Secretary William Bennett proposed the "Bennett Hypothesis," another explanation for rising tuition. What is the Bennett Hypothesis? Provide a proper citation. Uusing a model of supply and demand, show how it could lead to higher tuition

4. A study from the Federal Reserve Bank of New York estimates the changing financial return on a college education. Using the model of supply and demand from class, show an increasing return

to a college education could cause the cost of college to rise. Make sure to explain why supply or demand are affected.

5. How might you test between supply-based and demand-based explanations for why college has become so expensive? Think about what variables, besides price, would behave differently if the explanation were supply-based versus demand-based.

6. In the summer of 2025, former students filed a lawsuit against 31 prestigious U.S. colleges and universities, plus Bowdoin College, alleging that they are illegally using the Early Admissions process to drive up the price of college. Using the model of supply and demand, explain how this could be done. Provide a source on the lawsuit.

*Part II: Crude Oil and Gasoline*:

7. Provide some data on the path of crude oil prices since 2020. The best answers will adjust for inflation. Consider providing a graph or figure rather than just a description.

8. Why did crude oil prices fall to such low levels in the spring of 2020? Your answer should use the model of supply and demand developed in class and you should be explicit about whether supply or demand were the main driver of lower prices?

9. Why did crude oil prices rise so much in early 2026? Your answer should use the model of supply and demand developed in class and you should be explicit about whether supply or demand were the main driver of higher prices?

. 10. Now consider the market for gasoline, which is connected to, but distinct from the market for crude oil. Using a model of supply and demand, show why gasoline prices rose in early-mid 2026.

11. The global economy experienced severe crude oil price spikes around both 1973 and 1979. What caused these and how did they affect the U.S. economy?

12. Based on your answer to #11, why are higher crude oil prices often detrimental to the U.S. political party that is currently in power?

13. In class, we made several assumptions about the households and firms in our model of supply and demand. Which market, higher education or crude oil, better fits these assumptions and why?

Notes.

1.**AI use** Do not use AI to 1) find the data for questions #1 and #3, 2) analyze changes to supply and demand, or 3) craft your answers. You may use AI to suggest sources. You may not use AI itself as a source.

2. A due date will be announced in class, 5-7 days after we complete supply and demand.