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HW#4 From Problem and Applications of Mankiw book, Chapter 4 The Market Forces of Supply and Demand

3. Consider the market for minivans. For each of the events listed here, identify which of the determinants of demand or supply are affected. Also indicate whether demand or supply increases or decreases. Then draw a diagram to show the effect on the price and quantity of minivans.

   a. ~~People decide to have more children.~~

   b. A strike by steelworkers raises steel prices.

   c. ~~Engineers develop new automated machinery for the production of minivans.~~

   d. ~~The price of sports utility vehicles rises.~~

   e. A stock market crash lowers people's wealth.

#1 Answer only part (b) and (e). Follow the instruction of the question and, in addition, and describe the market mechanism that causes the change in the market equilibrium.

11. Suppose that the price of basketball tickets at your college is determined by market forces. Currently, the demand and supply schedules are as follows:

Price	Quantity Demanded	Quantity Supplied
$4	10,000 tickets	8,000 tickets
8	8,000	8,000
12	6,000	8,000
16	4,000	8,000
20	2,000	8,000

   a. Draw the demand and supply curves. What is unusual about this supply curve? Why might this be true?

   b. What are the equilibrium price and quantity of tickets?

   c. Your college plans to increase total enrollment next year by 5,000 students. The additional students will have the following demand schedule:

Price	Quantity Demanded
$4	4,000 tickets
8	3,000
12	2,000
16	1,000
20	0

Now add the old demand schedule and the demand schedule for the new students to calculate the new demand schedule for the entire college. What will be the new equilibrium price and quantity?

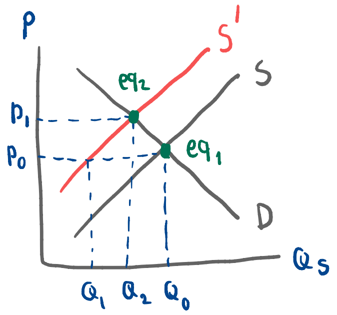
#2

#1 a strike by steelworkers raises steel price

(b) 1. supply is affected

2. supply decreases

The original Eq_1 shifts to eq_2 after supply decreases. At Eq_2,

3. 

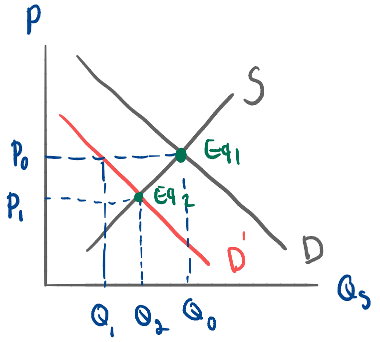
A strike by steelworkers raises steel price makes supply decreases from S to S'. At price P_0, at the same price of Q_0, sellers can sell less from Q_0 to Q_1 due to cost-push. The original equilibrium point where $Q_D = Q_S$ at Eq_1 shifts to eq_2 because the price keeps increasing until from P_0 to P_1 and lower Quantity supply at the same time. In conclusion, at the same price, sellers have to lower the quantity of supply to maintain the production after the affect of a strike.

※ 1 a stoke market crash lowers people's wealth

(e) 1. demand is affected

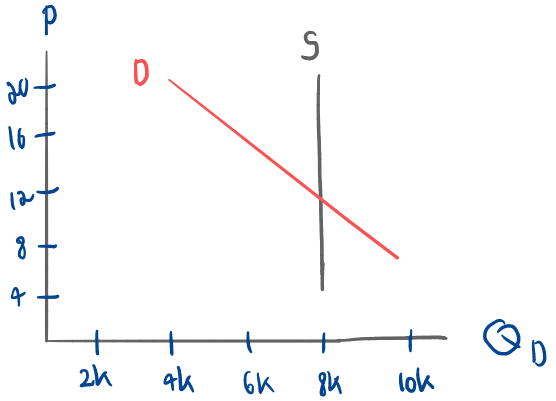
2. demand decreases

3.



A stock market situation casuse a lower in demand. Demand shifts from D to D'. When people got into financial situation, their Qquantitiy demand will be decreasing at any price. At original Equilibrium point Eq1, people still have quantity demand at Q_0 at price P_0. But After, Eq_1 shifts to Eq_2 following to D'. Eq_2 shows that when Quantity demand Q_0 lower to Q_2. At P_0 and P_1 after stock market crash the quantity demand decreased respectively.

2 basketball ticket



ⓐ What is unusual about this supply curve ?

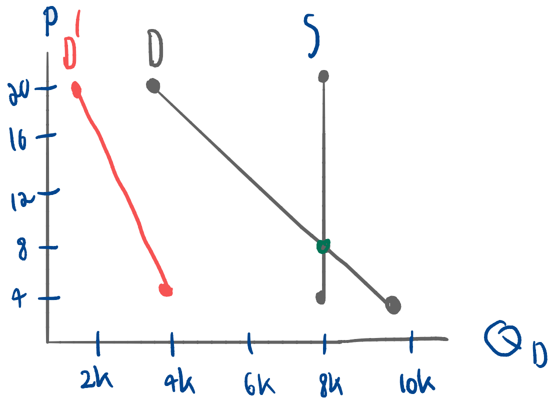
<u>Ans</u> quantity supply of basketball tickets still remains at 8,000 tickets.

ⓑ what are the equilibrium price and quantity of price

<u>Ans</u> 8,000

ⓒ After adding new demand, what is new equilibrium price & quantity?

<u>Ans</u>



There's No new Equilibrium point because there's no where of point where Demand and supply have the same intersection.