

**EE211 | HW1 | Due Date: Tuesday 11 Feb 2020 by 08.00!**

Instructions:

- 1) Attempt all 4 cases.
- 2) Submit as a PDF file or photo files (A single PDF file preferred)
- 3) On your work, please do not forget to write down your full name and student ID.
- 4) Any questions or concerns, send me your message via [pwrasai@econ.tu.ac.th](mailto:pwrasai@econ.tu.ac.th)

QUESTION: In each case, you can introduce a market for a good or service you are interested in. Think and name an event on demand side that might shift the demand curve to a direction specified on each case. Do the same for same for the supply side. Give a full explanation on what will happen to equilibrium price and equilibrium quantity in each case.

Note: In each case, it is not necessary to be the same market. Be creative.

**Caveat: Copy and Plagiarism is an academic crime and will not be tolerated. If caught, all parties involved will be penalized by Thammasat University's Honest Code.**

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**CASE 1 Decrease in Demand & Decrease in Supply**

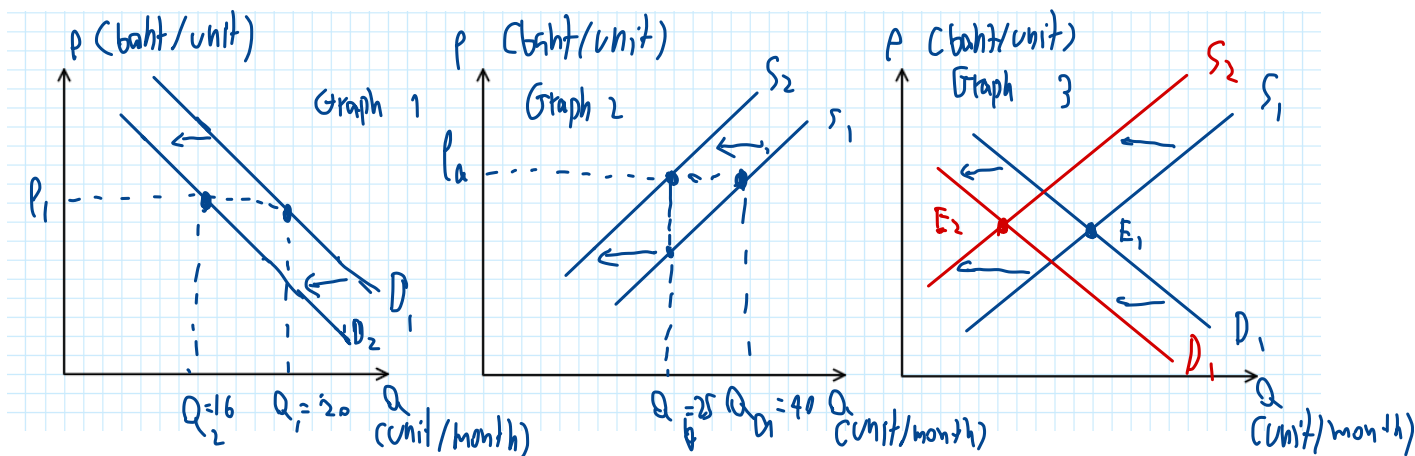
Consider Market for radio

**EVENT 1 (On Demand Side)**

People nowadays tend to think that radio are old-fashioned and not cool.

**EVENT 2 (On Supply Side)**

Price of parts for making radio, out of nowhere, went up.



Full Explanation

Graph 1  
 At all price level, consumers are willing to pay less for the same quantity because consumers change their mindset. [ $D_1$  shifts to  $D_2$ ]  
 For example, at  $P_1$ , before consumers changed their mindset, they're willing to buy 20 radios, but when radios became old-fashioned, they are willing to buy only 16 for the same price.

Graph 2  
 At all price level, producers are willing to sell less because the parts became more expensive. [ $S_1$  shifts to  $S_2$ ]  
 For example, at  $P_a$ , before the parts got more expensive, they're willing to sell 40 radios at price of  $P_a$ , but when the parts got expensive at the same price, they are willing to sell only 25 radios.

Graph 3 [combined]  
 before the 2 events occurred, point  $E_1$  is where the buyers and sellers are happy to sell and buy their product for a certain price, but when the events occurred,  $E_2$  is now the new point where both are satisfied.

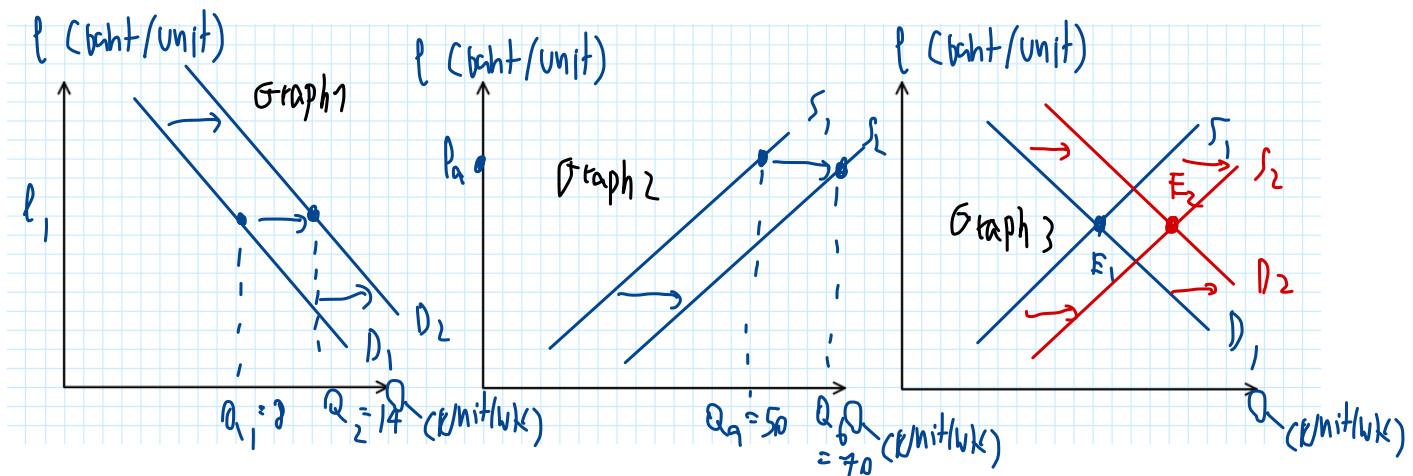
**CASE 2 Increase in Demand & Increase in Supply**Consider Market for P.M.2.5. mask

EVENT 1 (On Demand Side)

People become cautious for their health.

EVENT 2 (On Supply Side)

New technology for producing the mask.



Full Explanation!

Graph 1

At all price level, buyers are willing to buy more because people got cautious about their health. [ $D_1$  shifts to  $D_2$ ]

For example, at  $P_1$ , before the consumers worried about their health they are only willing to buy 8 units/wk, but when they does, they are willing to buy 14 units/wk.

Graph 2

At all price level, sellers are willing to sell more because when new technology helped with production, they can produce the mask for a lower price for the same quantity.

For example, at  $P_a$ , before new technology's arrived, they are willing to sell only 50 (units/wk), but when it does, they're willing to sell 70 (units/wk).

Graph 3

before the 2 events occurred, point  $E_1$  is where the buyers and sellers are happy to sell and buy their <sup>4 of 5</sup> product for a certain price, but when the events occurred,  $E_2$  is now the new point where both are satisfied.

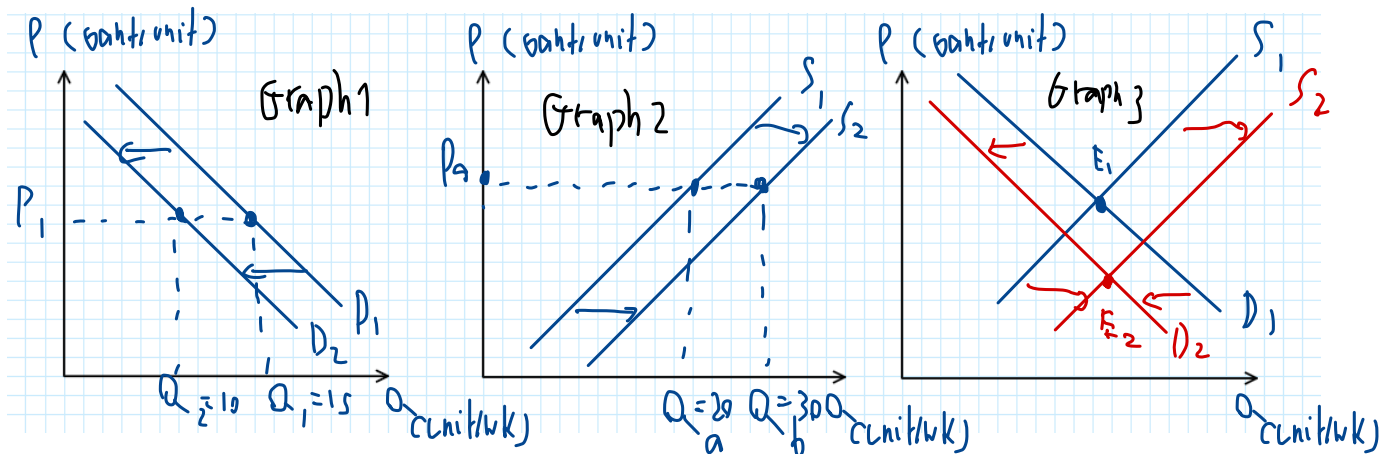
**CASE 3 Decrease in Demand & Increase in Supply**Consider Market for apple

EVENT 1 (On Demand Side)

People got less income.

EVENT 2 (On Supply Side)

Price of apple is going to drop in the near future.



Full Explanation

Graph 1

At all price level, buyers are willing to buy less because they have less money to spend. [ $D_1$  shifts to  $D_2$ ]

For example, at  $P_1$ , before their income decreased, buyers are willing to buy 15 apples/wk, but when it does, they're willing to buy only 10 apples/wk.

Graph 2

At all price level, sellers are willing to sell more <sup>at the present</sup> because apple price is going to drop.

For example, at  $P_a$ , before they knew the price is going to drop, they are willing to sell 20 apples/wk, but when they knew they're willing to sell 30 apples/wk for the same price.

Graph 3

Before the 2 events occurred, point  $E_1$  is where the buyers and sellers are happy to sell and buy <sup>30 of 15</sup> product for a certain price, but when the events occurred,  $E_2$  is now the new point where both are satisfied.

**CASE 4 Increase in Demand & Decrease in Supply**Consider Market for beef

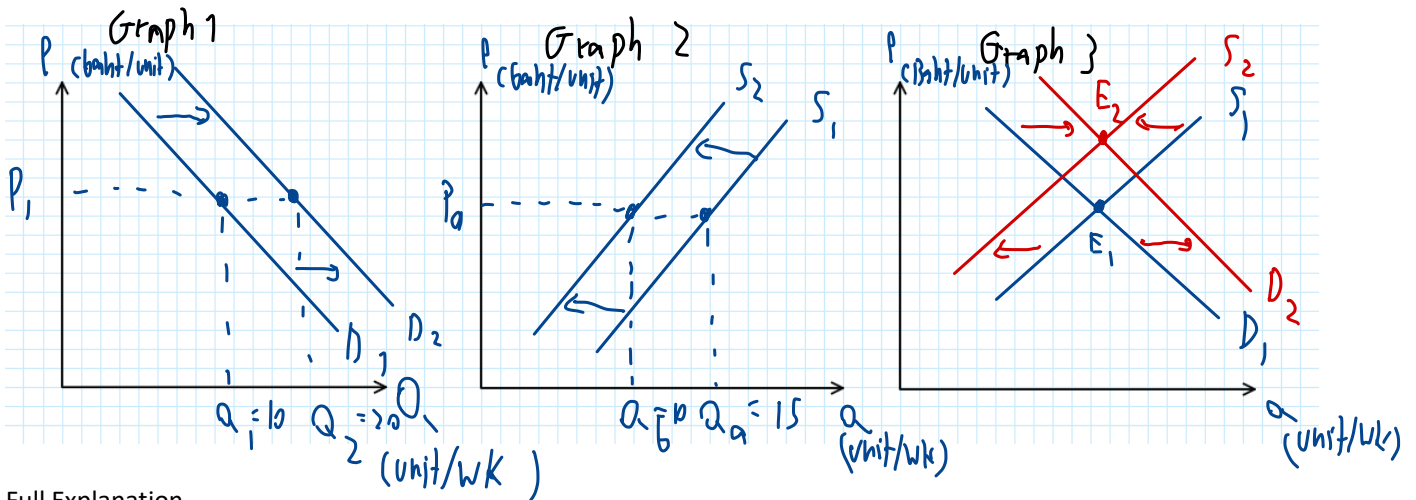
EVENT 1 (On Demand Side)

Price of pork goes up.

Note  $P_A \uparrow P_B$ 

EVENT 2 (On Supply Side)

price of food for cows goes up.



Full Explanation

Graph 1

At all price, consumers are willing to buy more at the same price because price of related goods, pork, goes up. [ $D_1$  shifts to  $D_2$ ]

For example, at  $P_1$ , before price of pork rises, consumers are willing to buy 10 unit/wk, but when price of pork rises, they're willing to buy 20 unit/wk.

Graph 2

At all price, sellers are will to sell less at the same price because the input price rises. [ $S_1$  shifts to  $S_2$ ]

For example, at  $P_a$ , before the food become more expensive, sellers are willing to sell 15 unit/wk, but when it does, they're willing to buy 10 unit/wk.

Graph 3

Before the 2 events occurred, point  $E_1$  is where the buyers and sellers are happy to sell and buy their product for a certain price, but when the events occurred,  $E_2$  is now the new point where both are satisfied.