

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.

b. A strike by steelworkers raises steel prices

• The equilibrium is at point E where $P = P_0$, $Q = Q_0$

• Price of steel \uparrow

• Company needs to pay more for vans

• The number of product that can be able to produce \downarrow

• Q decreases $S \rightarrow S'$

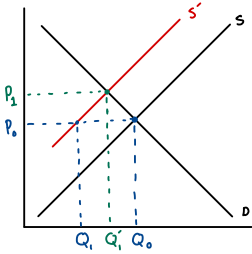
• At old Equilibrium $P_0 = Q_0 \rightarrow Q_1$ (decreases)

* To increase supply*

Company need to spend more to produce vans

• P needs to be increased

Finally: $P \rightarrow P_1$, $Q_1 \rightarrow Q_1'$



e. A stock market crash lower people's wealth

• The equilibrium is at point E where $P = P_0$, $Q = Q_0$

• People have less money to spend

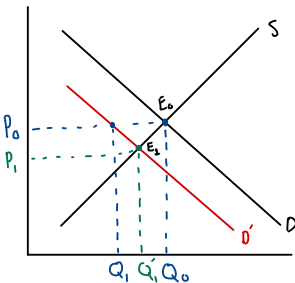
that leads to less demand for minivans

• At P_0 D decreases from $D \rightarrow D'$ then $Q_0 \rightarrow Q_1$

* To increase demand of vans*

• P needs to be increased

Finally: $P_0 \rightarrow P_1$, $Q_1 \rightarrow Q_1'$



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:

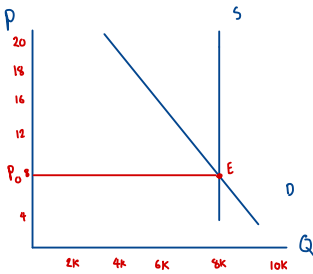
Price	Quantity Demanded	Quantity Supplied
\$4	10,000 tickets	8,000 tickets
8	8,000	8,000
12	6,000	8,000
16	4,000	8,000
20	2,000	8,000

- Draw the demand and supply curves. What is unusual about this supply curve? Why might this be true?
- What are the equilibrium price and quantity of tickets?
- 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

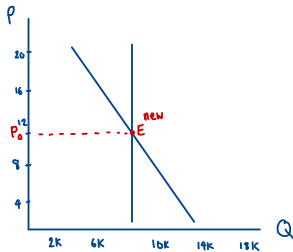
Now add the old demand schedule and the demand schedule for the new students to calculate the new demand schedule for the entire college. What will be the new equilibrium price and quantity?

a) Draw demand and supply curve



b) Equilibrium price of tickets = 8 Dollar
 Equilibrium quantity of tickets = 8,000 tickets

c)



New Q_{Demand}

$$\text{\$ } 4 = 10,000 + 4,000 = 14,000$$

$$\text{\$ } 8 = 8,000 + 3,000 = 11,000$$

$$\text{\$ } 12 = 6,000 + 2,000 = 8,000$$

$$\text{\$ } 16 = 4,000 + 1,000 = 5,000$$

\therefore Equilibrium price = 11 Dollar
 Equilibrium quantity still remains the same