

**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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STUDENT ID 620469814

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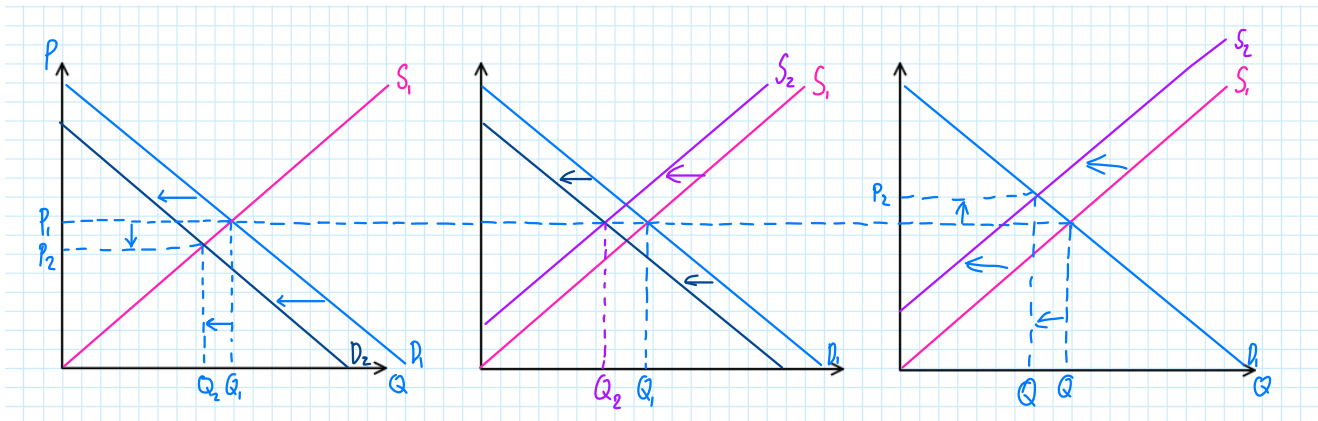
**CASE 1 Decrease in Demand & Decrease in Supply**Consider Market for Pesticide

EVENT 1 (On Demand Side)

farmers turn to more natural option for pest control (i.e. herbs, pest eating animals etc.)

EVENT 2 (On Supply Side)

Price of the chemicals used to make pesticide increase

**Full Explanation**

As farmer rely less on pesticides the demand curve shifts left from  $D_1$  to  $D_2$ . This implies that the quantity demanded has decreased at every observable price level.

On the otherhand as price of chemicals used to produce pesticide become more expensive the supply curve shifts to the left from  $S_1$  to  $S_2$ . This implies the quantity supplied has decreased at every observable price level.

With the two events combined the equilibrium price stayed the same but the equilibrium quantity has decreased.

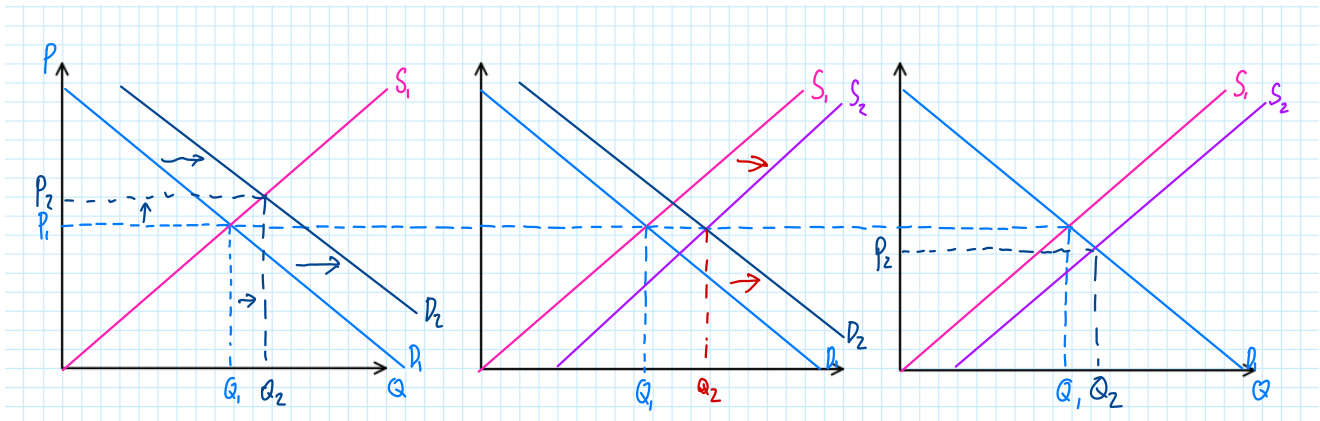
**CASE 2 Increase in Demand & Increase in Supply**Consider Market for Printer ink

EVENT 1 (On Demand Side)

Price of printers decrease

EVENT 2 (On Supply Side)

more efficient way of producing and packaging printer ink was implemented

**Full Explanation!**

As price of a complimentary good decrease the demand for printer ink increases, shifting the demand curve to the right from  $D_1$  to  $D_2$

This implies that the quantity demanded increased at all observable price level.

On the other hand the cost of production reduced from the new way of producing them, shifting the supply curve to the right as suppliers can produce more at the same price so the curve shift from  $S_1$  to  $S_2$ . This means the quantity supplied increased at all observable price level.

When considering both the supply and demand curve shift the equilibrium price stayed the same but the equilibrium quantity increased from  $Q_1$  to  $Q_2$

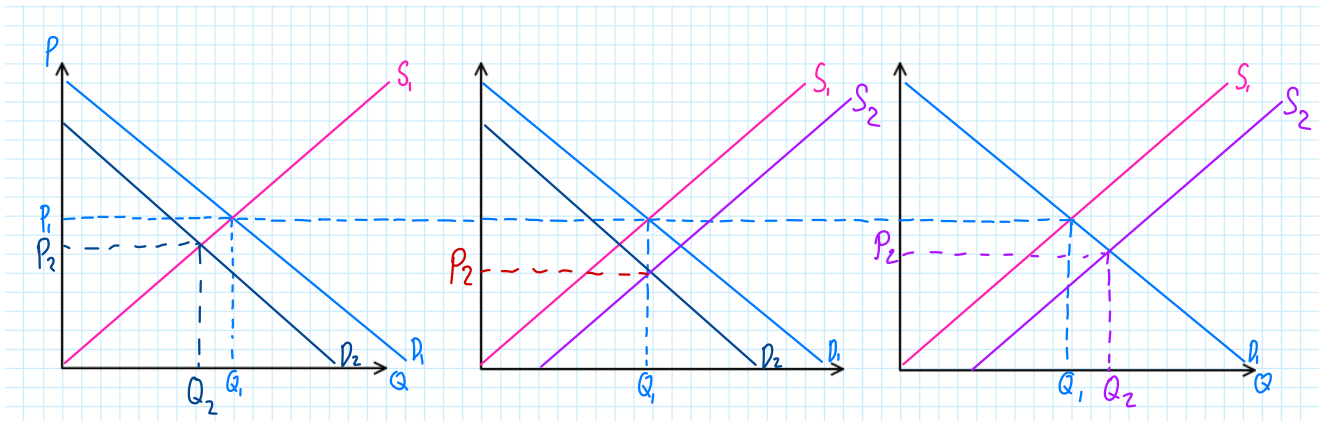
**CASE 3 Decrease in Demand & Increase in Supply**Consider Market for Refined sugar

EVENT 1 (On Demand Side)

Consumers become more health concious

EVENT 2 (On Supply Side)

suppliers think the price will drop so they try to sell off their goods.

**Full Explanation**

as consumers become more concious about their health they consume less refined sugar, there fore the demand curve shifts left from  $D_1$  to  $D_2$ . This implies that there's a decrease in quantity demanded for sugar.

Suppliers expect the price to drop since less consumers want less sugar so they start to supply more before the price drops. This shift the supply curve to the right from  $S_1$  to  $S_2$ , implying that there is an increase in quantity supplied.

When taking both graphs into consideration the new equilibrium point shows that the equilibrium quantity stays the same but the equilibrium price decreases.

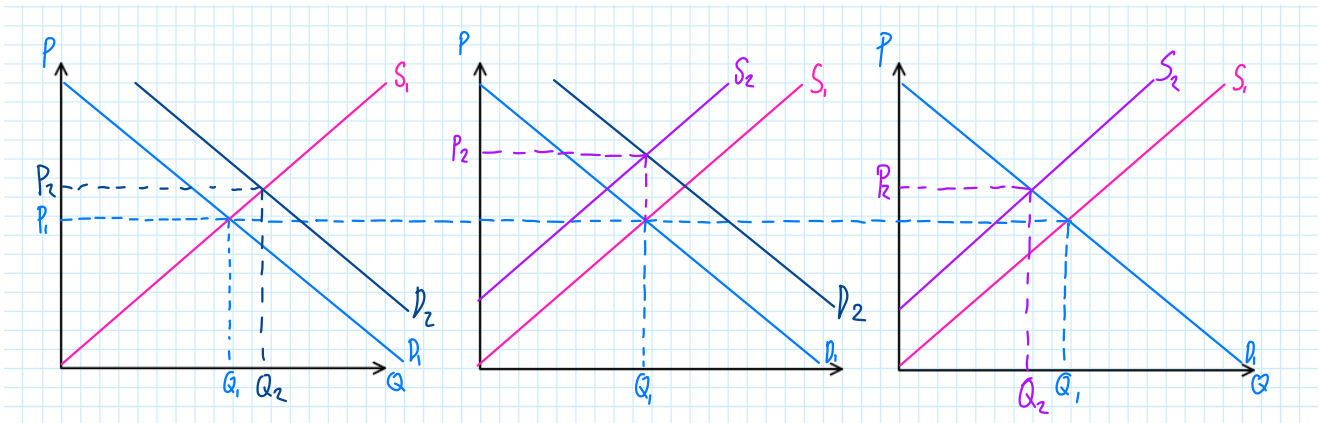
**CASE 4 Increase in Demand & Decrease in Supply**Consider Market for Guitars

EVENT 1 (On Demand Side)

A new movie about a guitarist inspired people to start learning guitar

EVENT 2 (On Supply Side)

The price of guitar is expected to rise in a month



Full Explanation

As consumer taste change due to the movie more people want to play guitar and so the demand curve for guitar shift right from  $D_1$  to  $D_2$ , implying that the quantity demanded increased at all observable price level.

On the other hand as the price is expected to increase suppliers stop supplying guitars and wait for the price to rise before selling, causing the supply curve to shift left. This implies that the quantity supplied decreases at every observable price level.

When taking both graphs into consideration the new equilibrium point shows that the equilibrium price increases but the quantity equilibrium is still the same.