

HW#6 Due Feb 10, 2022

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

#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.

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.

#2

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	14000
8	3,000	11000
12	2,000	8000
16	1,000	5000
20	0	2000

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?

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.

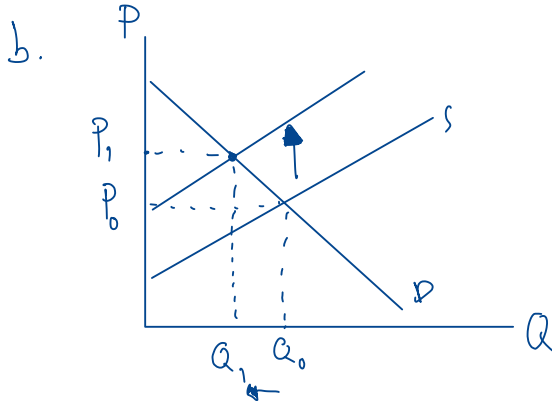
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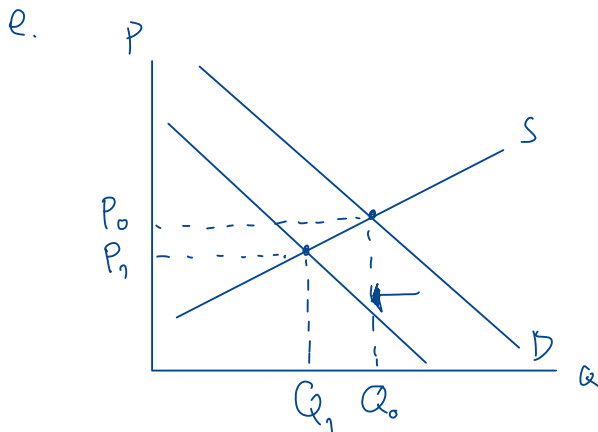
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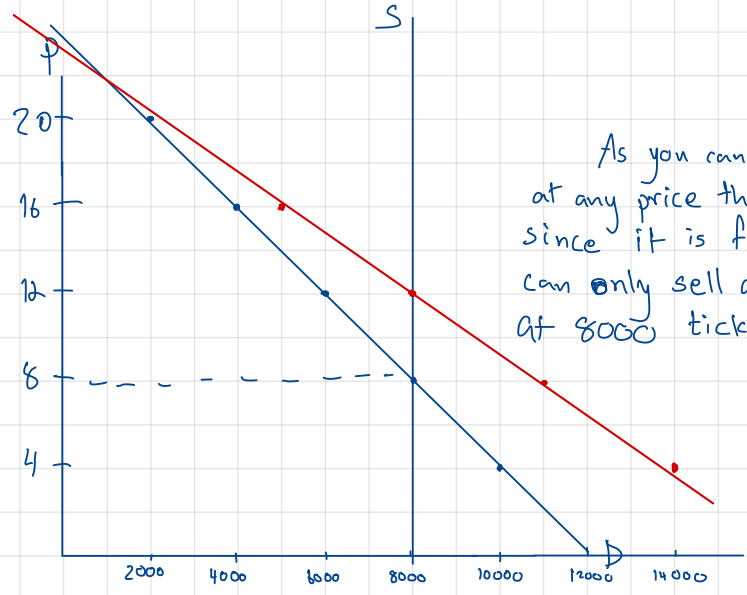
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In this diagram, the price increases which lead supply shift to the left and fall in quantity demanded. So, when the price of steel increases, it makes the producer produce less. Moreover, the producers are willing and able to sell at a higher price, so the consumers would buy less so quantity demanded.



When the stock market crash, the willingness and ability decreases which lead demand shift to the left. Also, it causes the price to reduce from P_0 to P_1 .

a)



As you can see, the supply curve is vertical which means at any price the quantity supplied will remain the same since it is fixed. It might also be because the stadium can only sell at the maximum quantity of the ticket, at 8000 tickets.

b)

the equilibrium point is at 8 dollar = price
8000 tickets = quantity of tickets.

c)

A New equilibrium price is at \$12 and new equilibrium quantity stays the same at 8,000 tickets.