

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.~~

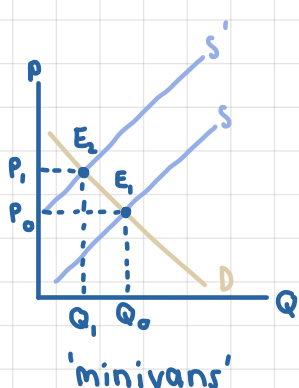
b. A strike by steelworkers raises steel prices.

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

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

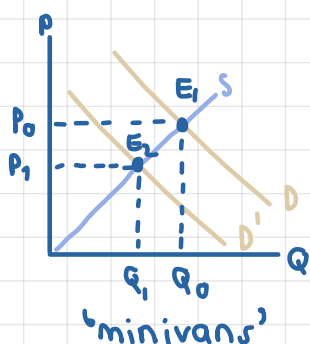
e. A stock market crash lowers people's wealth.

#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.



b) The supply of the market for minivans is affected.

because the steel prices are higher and steels are parts of a minivan but the minivans prices are still the same. So, the producer of minivans isn't willing to sell and that causes the decreasing of supply which shift the supply line to the left. So, it would affect to E_2 by the new equilibrium price would increase but the new equilibrium quantity would decrease.



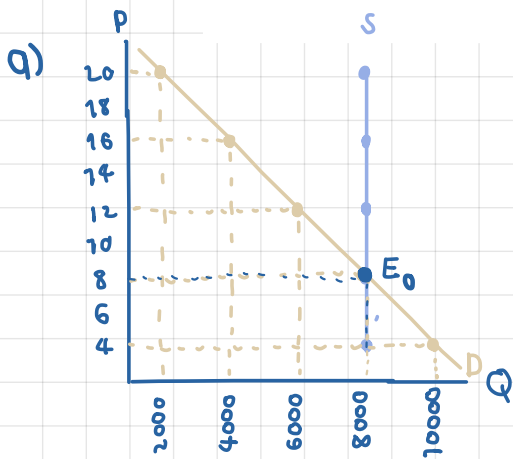
e) The demand of the market for minivans is affected

because of the stock market crash, people aren't willing to pay for minivans. So, the demand of minivans is decreasing which shift the demand line to the left. So, it would affect to E_2 which equilibrium price and quantity decrease from E_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:



The supply curve has the same quantity at every price. Because the seller is able to sell at maximum 8,000 tickets for each price.

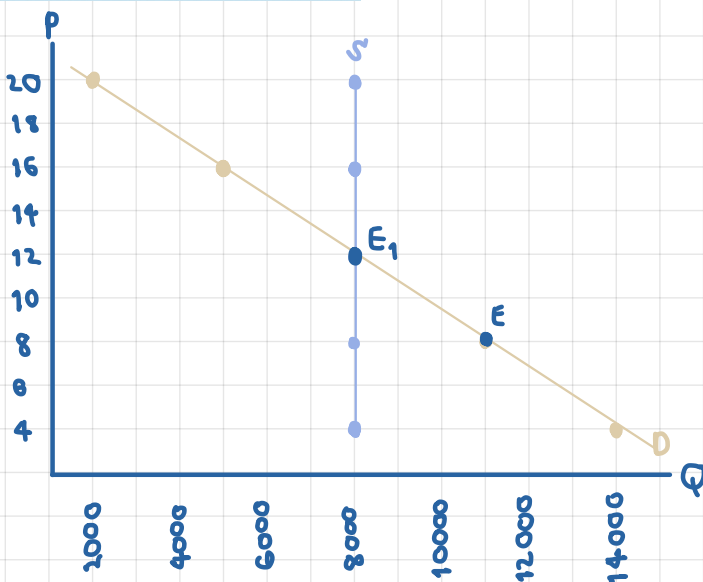
- b) The equilibrium price and quantity of tickets is when the price is 8\$ and the quantity is 8,000 tickets.

c)

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

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

New Quantity Demanded
 14,000
 11,000
 8,000
 5,000
 2,000



According to the new equilibrium or E_1 , the new equilibrium price is 12\$ and the new equilibrium quantity is 8,000 as same as the old equilibrium quantity.