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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?

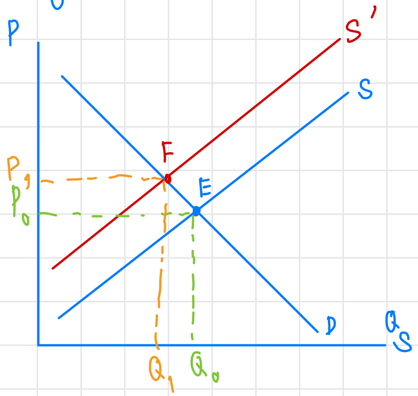
   c. Your college plans to increase total enrollment next year by 5,000 students. The additional students will have the following demand schedule:

Price	Quantity Demanded
$4	4,000 tickets
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?

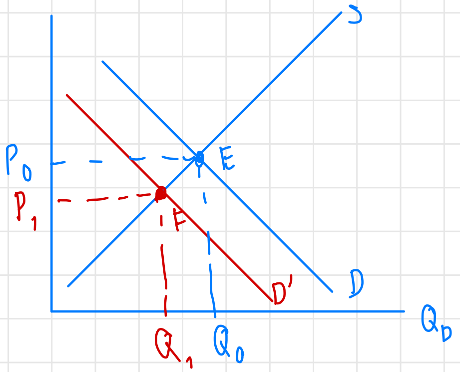
Q 3:

(b) A strike by steelworkers raises steel prices will affect supply to decrease because the wage of steelworkers will increase meaning that the cost of production will increase as well as the supply will go down because of increasing in costs of production.



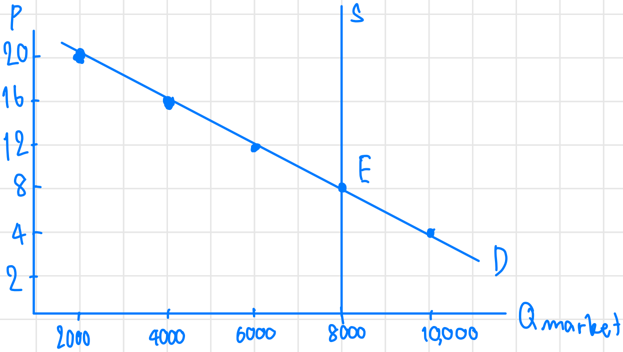
The equillibrium point at E where price is P_0 and Q_s is Q_0. But a strike makes supply decrease ($S \rightarrow S'$) because the owner will gain less profit according to increasing in costs of production. New equilibrium point at F where price is P_1 and Q_S is Q_1 *

(e) A stock market crash lowers people's wealth affect demand because the purchasing power is decreased.



Old equilibrium is at point E where price is P_0 and Q_D is Q_0 but when a stock market crash lowers people's wealth makes people's ability to buy is decreased so demand decreases ($D \rightarrow D'$). New equilibrium appears at point F where price is P_1 and Q_D is Q_1.

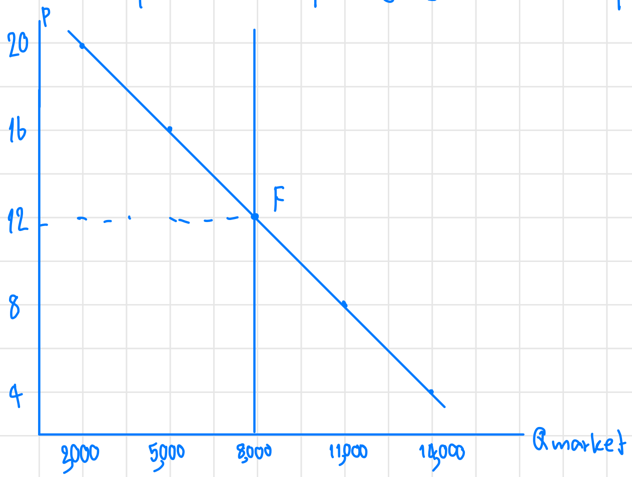
Q_2 : (a)



Supply curve is inelastic to the price meaning that when prices change, quantity supplied will not change.

(b) the equilibrium price is 8 and quantity of tickets is 8000

(c)



The new equilibrium is at point F where price is 12 and quantity of tickets are 8000