

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.~~

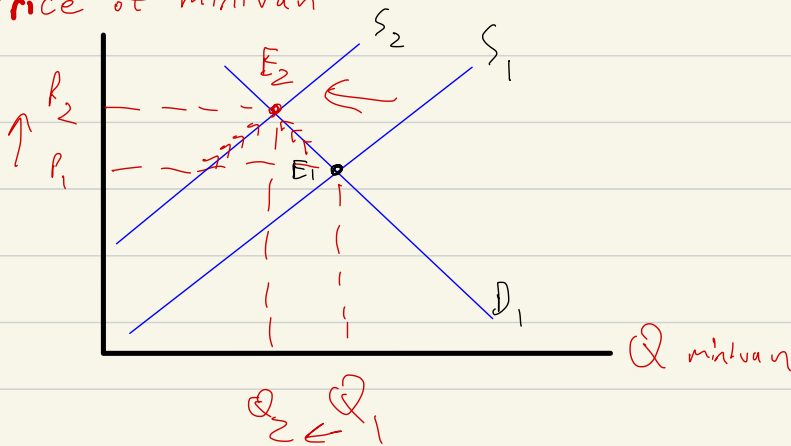
b. A strike by steelworkers raises steel prices.

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

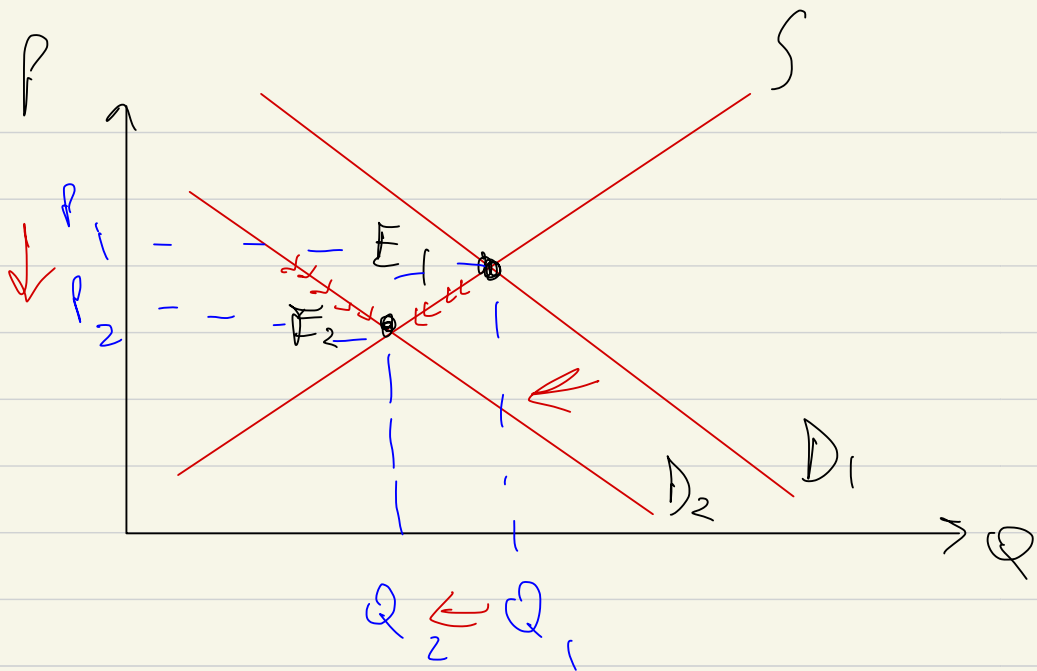
~~d. The price of sports utility vehicles rises.~~

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

Price of minivan



- b) • Due to the increasing in the cost of steel which make the supply shift to the left from S_1 to S_2 .
- At P_1 the excess in demand occurs which move to the new equilibrium at E_2 .
 - Due to the new equilibrium the price equilibrium increase from P_1 to P_2 and the quantity equilibrium decrease from Q_1 to Q_2 .



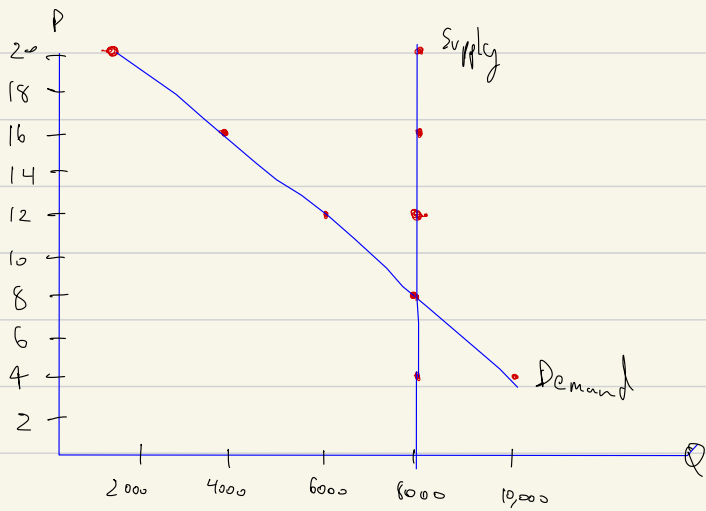
- e) • If there are more poor people this means that the purchasing power will be decrease which makes the demand shifts to the left from D_1 to D_2 .
- At P_1 there is an excess in supply occurs which will move to the new equilibrium at E_2 .
 - At E_2 the price decrease from P_1 to P_2 and the quantity also decrease from Q_1 to Q_2 .

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

old demand

New demand

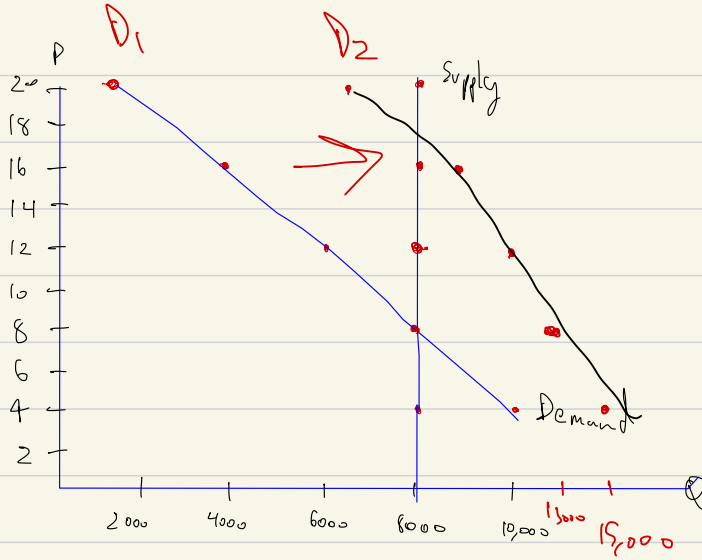
7500
13000
11000
9000
7000



a) The supply curve is unusual because this supply curve represents basketball ticket which has its own limited capacity at 8000 tickets. No matter the price will increase the ticket can't be sold more than 8000 tickets.

b) At equilibrium the quantity demand is equal to quantity supply so the quantity equilibrium is equal to 8000 tickets and price equilibrium is \$8.

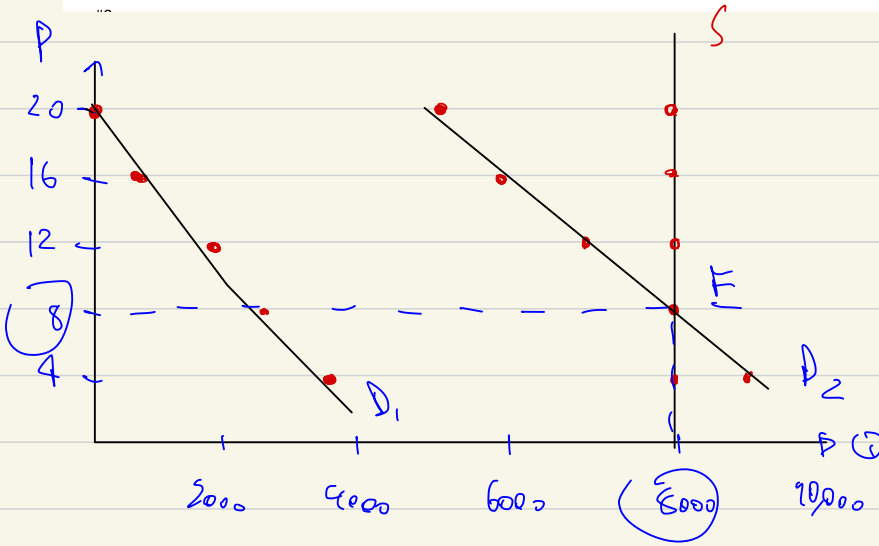
C)



• Due to the increasing in number of student the demand shifts to the right 5000 units.

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?



At the equilibrium, The price will be at \$8 and the quantity at 8000 tickets.