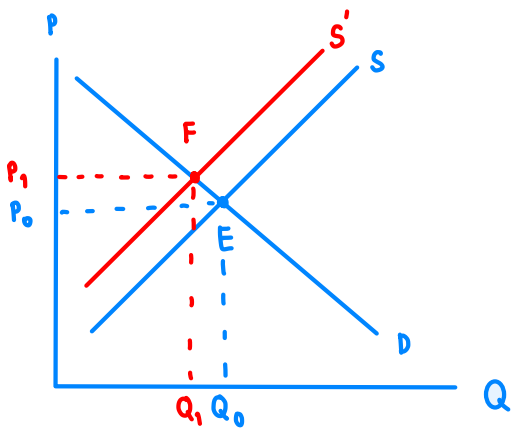


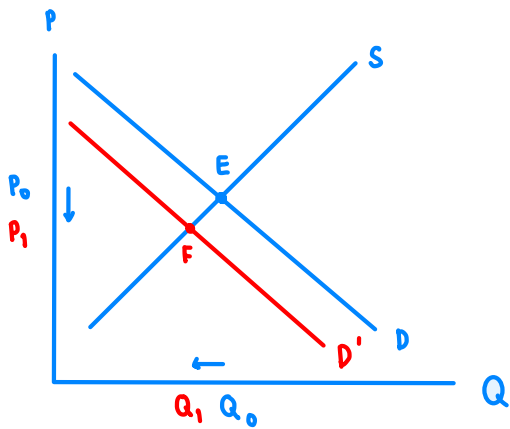
③ b) A strike by steelworkers raise steel prices



At Equilibrium,  $E = (Q_0, P_0)$   
 When supply decrease,  $S$  shifts to  $S'$   
 At new Equilibrium,  $Q_0$  decreases to  $Q_1$   
 $P_0$  increases to  $P_1$ .

∴ A strike by steelworker raise steel price, so the cost of production increases causing supply of minivans to decrease without affecting demand. Minivan producer produces less number of minivans and increases price of minivan.

e) A stock market crash lower people's wealth

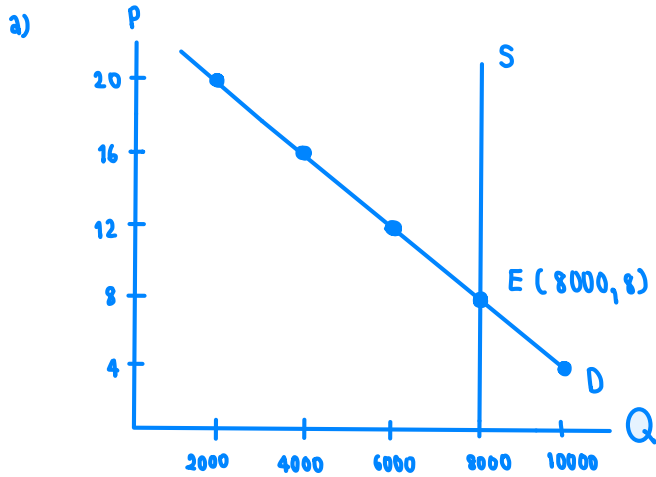


At Equilibrium,  $E = (Q_0, P_0)$   
 When demand decreases,  $D$  shifts to  $D'$   
 At new Equilibrium,  $Q_0$  decreases to  $Q_1$   
 $P_0$  decreases to  $P_1$

∴ A stock market crash lowers people's wealth, so people have less ability to pay. Demand decreases causing reduction in price and quantity demanded. Supply is not affected.

11

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



- The unusual about the supply curve is that this supply curve is vertical. The vertical supply is an extreme case supply curve.
- It might be true because the quantity supplied is fixed at any price. They may want to sell all tickets they have at any price, so they don't care whether the price will be high or low.

b) Supply:  $Q_s = 8,000$

Demand:  $P = \frac{-1}{500} Q_D + 24$

At equilibrium,  $E = (Q_s = Q_D, P_s = P_D)$

$$P = \frac{-1}{500} (8000) + 24$$

$$P = 8 \Rightarrow \text{At equilibrium, } E = (8000, 8)$$

∴ The equilibrium price is \$ 8  
The equilibrium quantity of tickets is 8,000 tickets

c)

Price	$Q_D$	$Q_S$
4	14,000	8,000         
8	11,000	
12	8,000	
16	5,000	
20	2,000	

New Demand:  $P = \frac{-1}{750} Q_D + \frac{68}{3}$

Supply:  $Q_s = 8000$

$$P = \frac{-1}{750} (8000) + \frac{68}{3}$$

$$= 12 \Rightarrow \text{New equilibrium is } (8000, 12)$$

∴ New equilibrium price is \$ 12  
New equilibrium quantity is 8,000 tickets