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

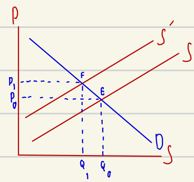
   a. Draw the demand and supply curves. What is unusual about this supply curve? Why might this be true?

   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:

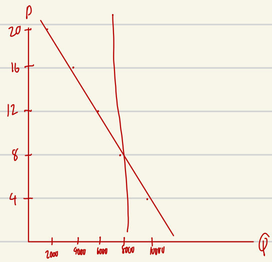
Thamolwan Sirivejakul
6404641216

3. b A strike by steelworkers will affect supply because when steelworkers strikes they will ask for a higher wage, which will make the cost of production of steel increase. So, the price of steel also increase.



First, the equilibrium is at E where price is P_0 & quantity supply is at Q_0. After, there is a strike from steel worker due to the cost of production ↑ producers gain less profit. Therefore, the price increases & supply is lower from S to S', quantity from Q_0 to Q_1 and price increase from P_0 to P_1.

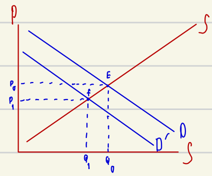
a.



a. the supply is inelastic to price, which means when price change quantity supply will not change.

b. the equilibrium price is 8 & equilibrium quantity is 8000.

e. A stock market crash will affect demand because it lowers people's wealth, which lower their ability to spend.



First, the equilibrium is at E, where Q of demand is Q_0 and price is P_0. However, after the market crashed, people has less demand so D shifted to D' changes from Q_0 to Q_1 and P_0 to P_1.

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?