

#1 Answer only part (b) and (e). Follow the instruction of the question and, in addition, 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.

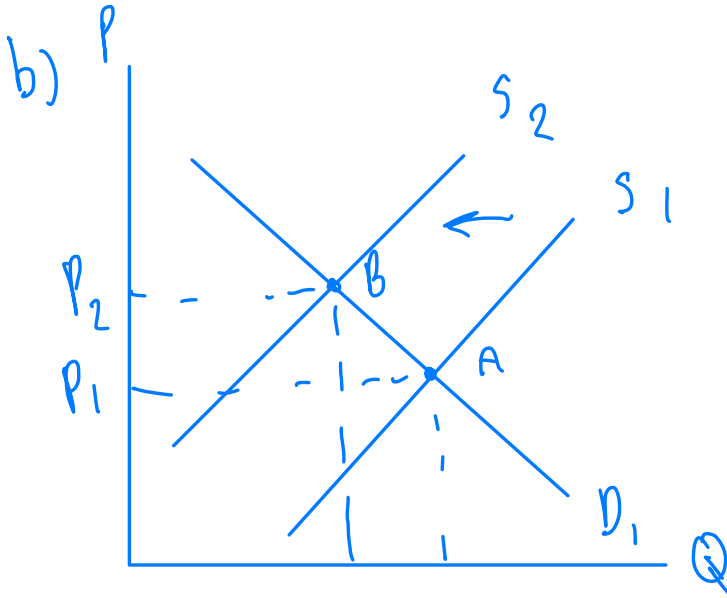
~~a. People decide to have more children.~~

b. A strike by steelworkers raises steel prices.

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

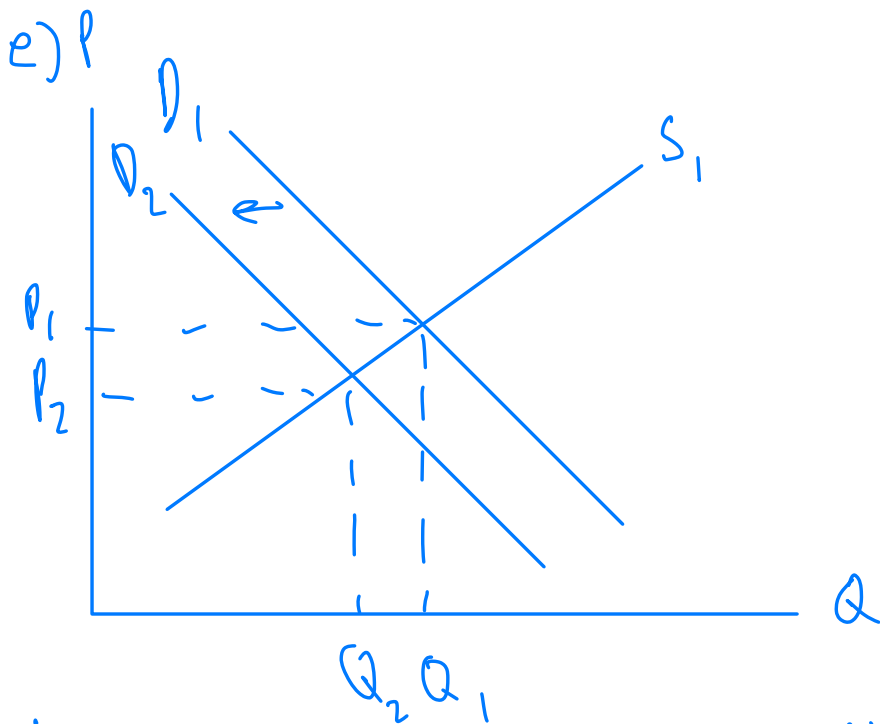
~~d. The price of sports utility vehicles rises.~~

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



Q_2 Q_1
A strike by steelworker raises steel prices affect supply to decrease from S_1 to S_2 but demand remain the same.

When supply decrease affect to
 $Q_s < Q_D$ then the price will increase
 until $Q_D = Q_s$ (P_1 to P_2)



lowers people's wealth mean that lower
 income, it affect demand to decrease
 from D_1 to D_2 and supply remain
 the same. When demand decrease
 affect $Q_D < Q_s$ so price have to
 be decreased until $Q_D = Q_s$ (P_1 to P_2)

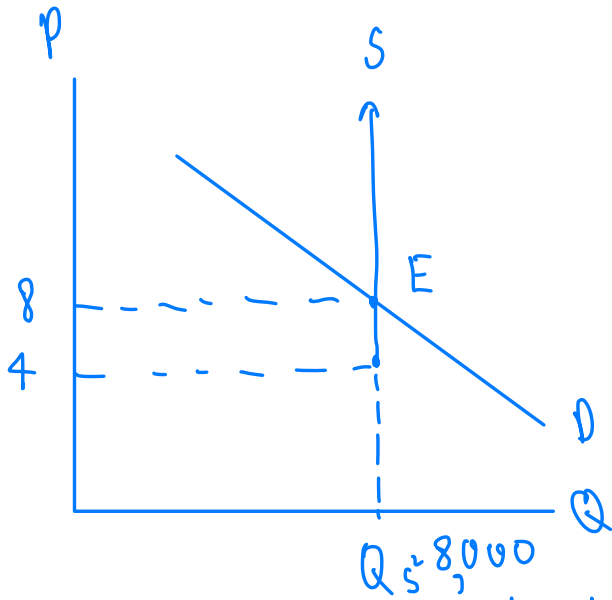
11. Suppose that the price of basketball tickets at your college is determined by market forces. Currently, the demand and supply schedules are as follows:

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

- 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:

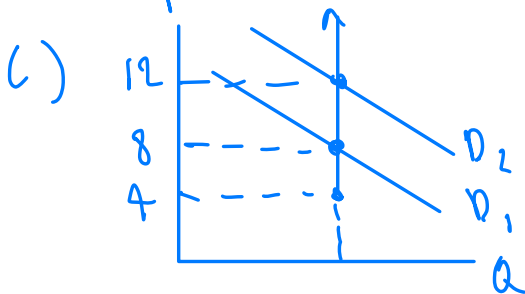
Price	Quantity Demanded
\$4	4,000 tickets
8	3,000
12	2,000
16	1,000
20	0

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?



a) at any price it have fixed quantity $\approx 8,000$ so the slope $= 1$. it might be true because in basketball competition it has limited seat.

b) the equilibrium is at $Q_D = Q_S$ at price $= 8$



new equilibrium at $p = 12$ because new $Q_D = Q_S$ ($6,000 + 2,000 = 8,000$)