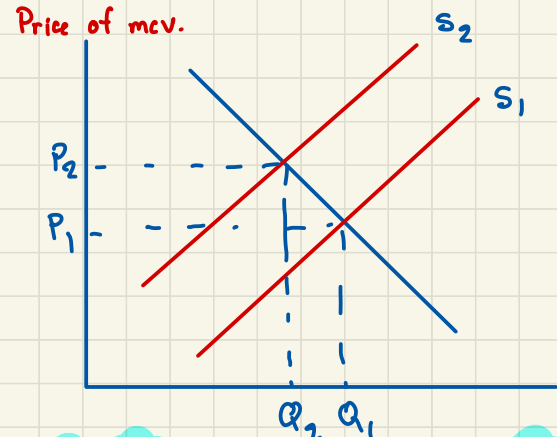


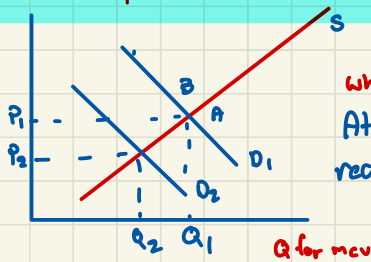
3. Consider the market for minivans. For each of the events listed here, identify which of the determinants of demand or supply are affected. Also indicate whether demand or supply increases or decreases. Then draw a diagram to show the effect on the price and quantity of minivans.

- ~~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.



At last, when the price of minivans increases, the quantity can be sold

If a strike by steel workers increase steel price, which can mean by the cost of production will rise, so it will probably affect the supply of minivans will drop. On the other hand, demand will not be affected. The former market equilibrium was at point A (Q_0, P_0) where $Q_0 = Q_S$, when supply decrease (supply function will change from S_1 to S_2). Now the $Q_S < Q_D$ then the price will increase up until, to reduce Q_D until Q_D equal to Q_S



In the case that stock market crash affect people wealthiness (people have less income) which mean that there will be reduction in minivans. On the opposite, supply will not be affected. At the end market equilibrium at point A (Q_1, P_1), where $Q_D = Q_S$. When there is a reduction in D for minivans $\rightarrow Q_S > Q_D$. So the market price will have to decrease, in order to reduce Q_S until $Q_S = Q_D$

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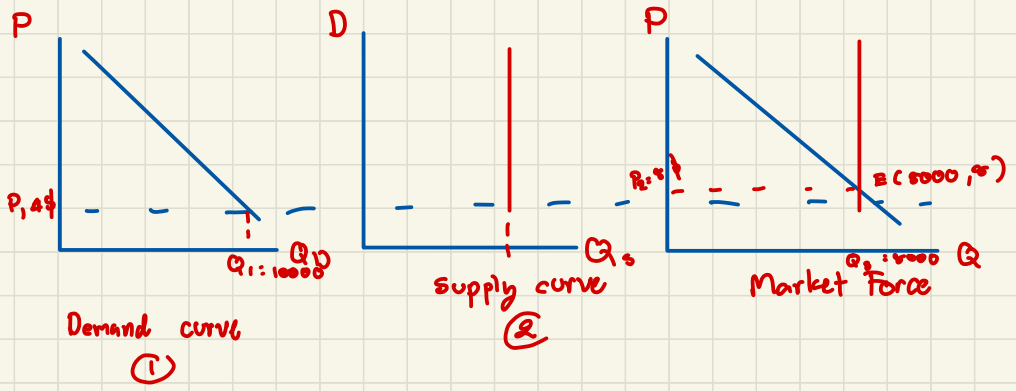
1. Suppose that the price of basketball tickets at your college is determined by market forces. Currently, the demand and supply schedules are as follows:

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?



→ a Ans On the supply curve has a min price of 4\$ with a fixed quantity: $Q_s = 8,000$
 So, the supply curve (2) has slope = -1 for supply function.

Q: Why might this be true
Ans As it is a basketball ticket, so it means that there are limited

→ b Ans At equilibrium point E (Q_0, P_2) where $Q_0 = Q_s = 8000$
 Note that at $Q_0 = 8000, P = 8$ (According to the table)
 $\therefore E (8,000, 8)$

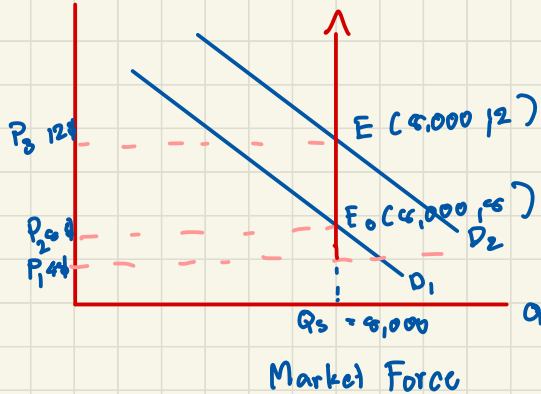
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Price	Quantity Demanded	Quantity supplied
4 \$	$10,000 + 4000 = 14,000$	8000
8 \$	$7000 + 3000 = 10,000$	8000
12 \$	$6000 + 2000 = 8000$	8000
16 \$	$4000 + 1000 = 5,000$	8000
20 \$	$2000 + 0 = 2,000$	8000

∴ Quantity demand increase at the same price
 So, Demand function increases from $D_1 \rightarrow D_2$

P



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3