

HW#4 From Problem and Applications of Mankiw book, Chapter 4 The Market Forces of Supply and Demand

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.

#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.

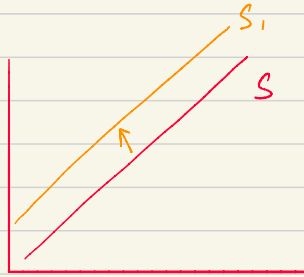
11. Suppose that the price of basketball tickets at your college is determined by market forces. Currently, the demand and supply schedules are as follows:

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:

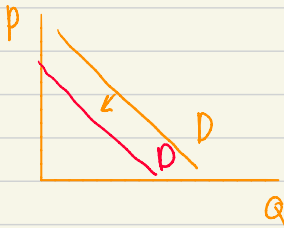
3)

A)



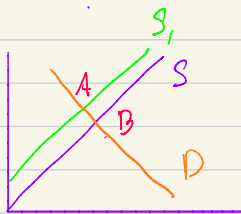
since a strike by steelwork raise a steel price that make supplier to raise the price to manufacturing in minivans that make the supply curve shift up

B



since stock market crash people will have lower income that make people consider more to spent a money to buy a minivan that make a demand curve shift down

A



since shift in supply curve that make Excess demand to as long as we have Excess $D > S$ the price will change to new equilibrium point the price need to rising until point A because we have Equilibrium condition is Excess $D = 0$, $Q_D = Q_S$

B



since shifting in Demand curve
Excess S as long as Excess
supply more than 0 price will
start to decrease until point
M that make equilibrium condition
that $Q_D = Q_S$

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

14000

11000

8000

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?

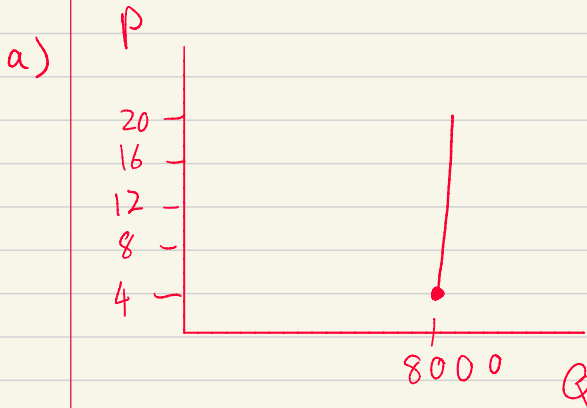
#2

New equilibrium price is 12 dollar
 New equilibrium quantity is still 8000 ticket

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:



It is perfectly inelastic

college willing to sell
and able to sell
8000 ticket

b the equilibrium price is 8 Dollar
the equilibrium quantity is 8000 ticket

c

10000	→	15000
8000	→	13000
6000	→	11000
4000	→	9000
2000	→	7000

