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**EE211 | HW1 | Due Date: Tuesday 11 Feb 2020 by 08.00!**

Instructions:

- 1) Attempt all 4 cases.
- 2) Submit as a PDF file or photo files (A single PDF file preferred)
- 3) On your work, please do not forget to write down your full name and student ID.
- 4) Any questions or concerns, send me your message via [pwrasai@econ.tu.ac.th](mailto:pwrasai@econ.tu.ac.th)

**QUESTION:** In each case, you can introduce a market for a good or service you are interested in. Think and name an event on demand side that might shift the demand curve to a direction specified on each case. Do the same for same for the supply side. Give a full explanation on what will happen to equilibrium price and equilibrium quantity in each case.

**Note:** In each case, it is not necessary to be the same market. Be creative.

**Caveat: Copy and Plagiarism is an academic crime and will not be tolerated. If caught, all parties involved will be penalized by Thammasat University's Honest Code.**

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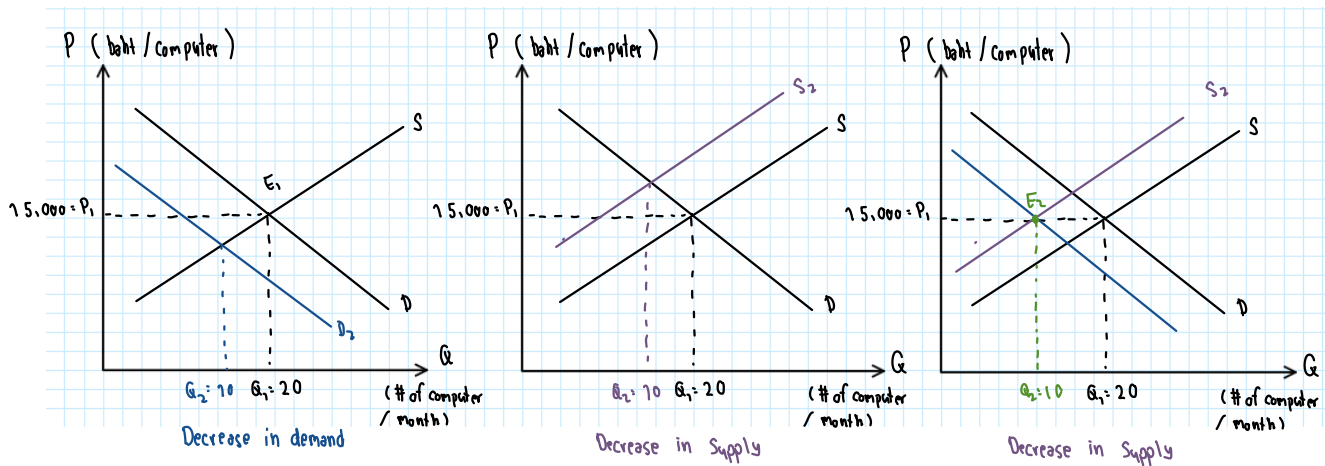
**CASE 1 Decrease in Demand & Decrease in Supply**Consider Market for Computer

EVENT 1 (On Demand Side)

Changes in buyers' taste

EVENT 2 (On Supply Side)

Higher cost of factor production of computer



Full Explanation

**Decrease in demand**: The quantity demanded has decreased at any observable price, hence the demand will shift to the left from  $D_1$  to  $D_2$  because people tend to buy other electronic devices rather than using computer.

**Decrease in supply**: The supply curve will shift to the left from  $S$  to  $S_2$ , implying that sellers can sell less computer. It means quantity supplied has decreased at any observable price due to the higher cost of production.

**At new equilibrium**: At old equilibrium ( $E_1$ ), the equilibrium price equals to 15,000 per computer, and the equilibrium quantity demanded equals to 20 computers sold per month. After the demand curve and supply curve has decreased, the new equilibrium quantity demanded has decreased from 20 to 10, but the price is still the same.

**CASE 2 Increase in Demand & Increase in Supply**

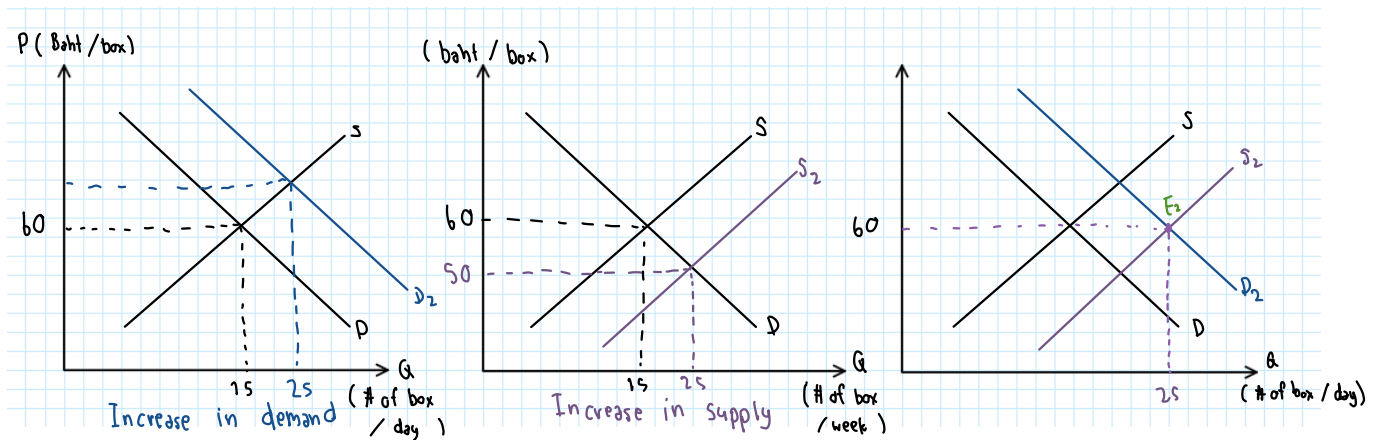
Consider Market for healthy food

EVENT 1 (On Demand Side)

Change in buyers' taste

EVENT 2 (On Supply Side)

Change in numbers of seller



Full Explanation!

- Increase in demand** : Nowadays people care more about health, so the demand curve of healthy food will shift to the right from D to D', implying that people tend to buy more healthy food at any observable price. This makes the price of healthy food becomes higher, and as well as the number of boxes increase.
- Increase in supply** : As the number of sellers becomes higher, this seller needs to cut down the price to attract customers. Then, the supply curve will shift to the right from S to S', implying that quantity supplied of healthy food has increased at any price we observe.
- At new equilibrium** : At the old equilibrium (E), the equilibrium price is equal to 60 Baht per box, and the equilibrium of quantity demanded equals to 15 boxes per week. Since people tend to care more about their health, and number of sellers become higher, the demand curve and supply curve both will shift to the right. Therefore the new equilibrium (E<sub>2</sub>) is occurred. At new equilibrium, the price of healthy food is 60 baht/box, the number of sold box is 25 boxes per day.

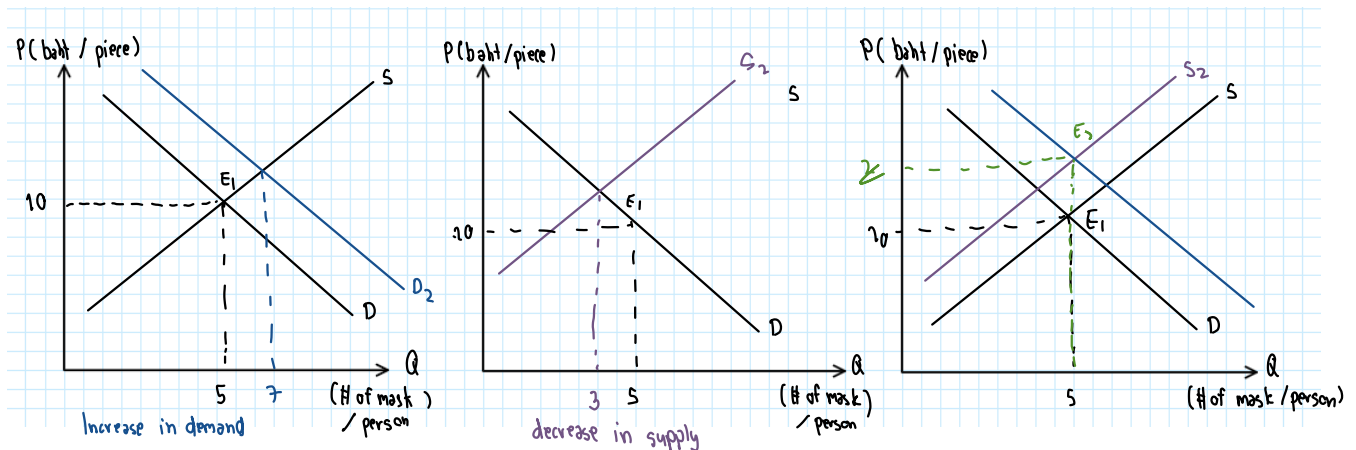


**CASE 4 Increase in Demand & Decrease in Supply**Consider Market for mask**EVENT 1 (On Demand Side)**

Due to P.M. 2.5, people are willing to wear mask more.

**EVENT 2 (On Supply Side)**

Sellers anticipate that the price will rise up

**Full Explanation**

**Increase in demand**: Due to P.M. 2.5, the demand curve for mask will shift to the right from  $D_1$  to  $D_2$ , implying that the quantity demanded has increased at any observable price.

**Decrease in supply**: Sellers anticipate that the price of mask will go up. Supply curve will shift to the left from  $S_1$  to  $S_2$ , meaning that quantity supplied has decreased at any observable price.

**New equilibrium**: As people are willing to buy mask more, and the sellers anticipate the price will go up, it makes the demand curve shift to the left, and the supply curve shift to the right. With new equilibrium, the equilibrium price has gone up from 10 to 20, but the equilibrium of quantity doesn't change.