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.~~

Phasin T. 6304 641001

b. A strike by steelworkers raises steel prices.

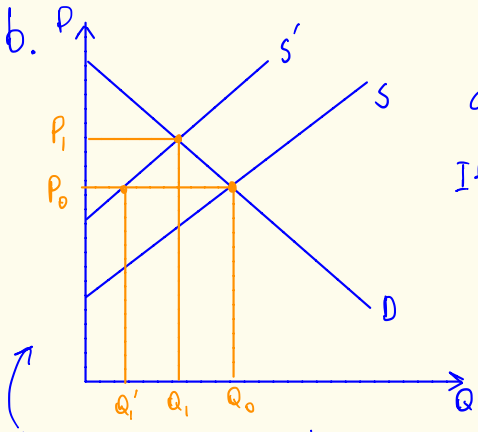
~~c. Engineers develop new automated machinery for the production of minivans.~~

~~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, and describe the market mechanism that causes the change in the market equilibrium.

b.



at P_0, $Q_S = Q_D$ → Equilibrium

at P_0 and $S \to S'$, $Q_D > Q_S'$ → Excess demand

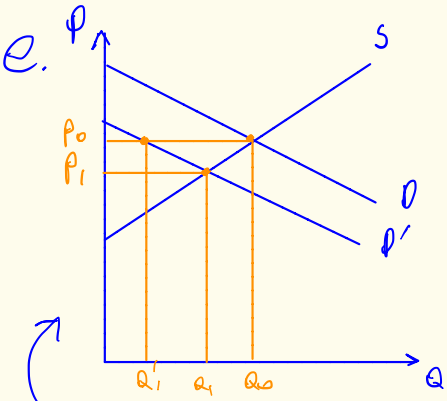
If equilibrium

Price increase until P_1 then $Q_S' = Q_D$ (New equilibrium)

∴ P increase, Quantity decrease

When price increase → supply decrease → supply curve shift left.

e.



at P_0, $Q_S = Q_D$ → Equilibrium

at P_0 and $D \to D'$, $Q_S > Q_D'$ → excess supply

If equilibrium

Price decrease until P_1 then $Q_S = Q_D'$ (New equilibrium)

∴ P decrease, Quantity decrease

When people's wealth decrease → Demand decrease → demand curve shift left.

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

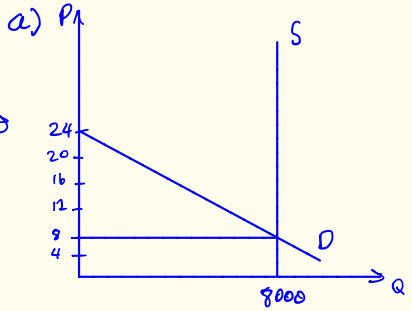
a. Draw the demand and supply curves. What is unusual about this supply curve? Why might this be true?

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:

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) 

This supply curve is unusual because there are 8,000 tickets for Q_s at every level of price. In this situation, there are 8000 seats available only and they willing to sell at as at least

b) supply curve ($x = 8000$)

Demand curve → $m = \frac{\Delta y}{\Delta x} = \frac{\Delta P}{\Delta Q}$

$= \frac{8-4}{8000-10,000} = \frac{4}{-2000} = -\frac{1}{500}$

→ $\boxed{P = -\frac{1}{500} + 24}$

Equilibrium → $P_s = P_D \rightarrow Q_s = 8000$, $P = -\frac{8}{500} + 24 \rightarrow P = -\frac{8000}{500} + 24 = 8$

→ $P = 8$ then $Q = \frac{(P-24)(500)}{-1} = 8000$

∴ $(8000, 8)$ ✳

c) new demand curve → $P = ① / ②$

① $-\frac{Q}{500} + 24$; $24 \geq P \geq 20$, $2000 \geq Q \geq 0$

② $-\frac{Q}{750} + \frac{68}{3}$; $20 \geq P \geq 0$, $17000 \geq Q \geq 20,000$

Equation for $0 \leq P < 20$

$m = \frac{\Delta P}{\Delta Q} = \frac{8-4}{11000-14000} = \frac{-4}{3000} = \frac{-1}{750}$

So $P(x) = \frac{-Q}{750} + b$

Find b → $12 = -\frac{9000}{750} + b$

$b = 12 + \frac{9000}{750} = \frac{17000}{750} = \frac{68}{3}$

So $P(x) = -\frac{Q}{750} + \frac{68}{3}$ for $0 < P < 20$

Phasin T. 6380464 1001