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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

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

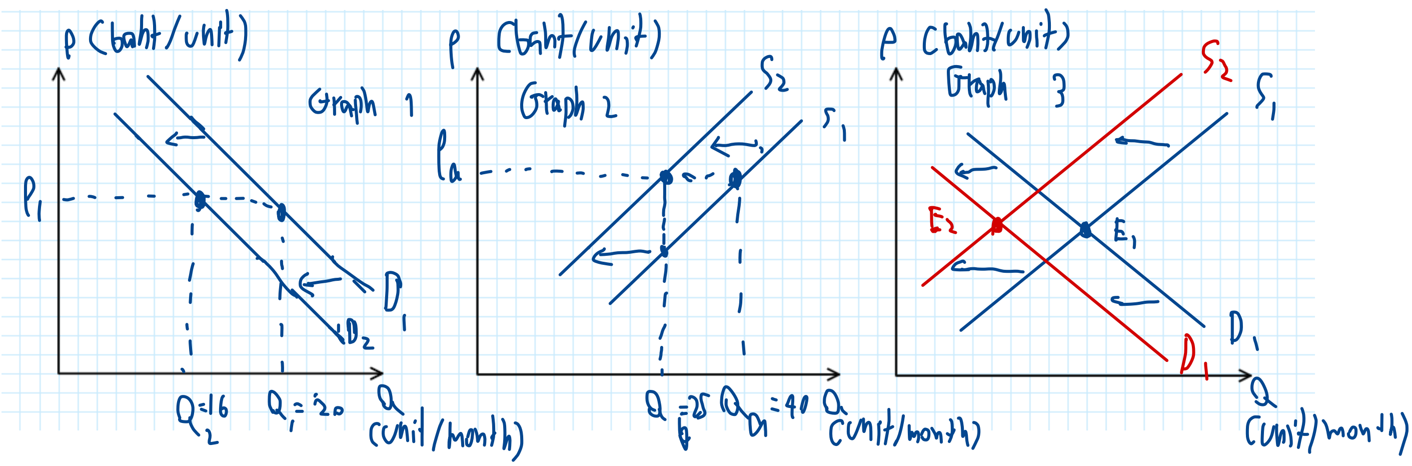
Consider Market for radio

EVENT 1 (On Demand Side)

People nowaday tend to think that radio are old-fashioned and not cool.

EVENT 2 (On Supply Side)

Price of parts for making radio, out of nowhere, went up.



Full Explanation

Graph 1

At all price level, consumers are willing to pay less for the same quantity because consumers change their mindset. [D_1 shifts to D_2]

For example, at P_1, before consumers changed their mindset, they're willing to buy 20 radios, but when radios became old-fashioned, they are willing to buy only 16 for the same price.

Graph 2

At all price level, producers are willing to sell less because the parts became more expensive. [S_1 shifts to S_2]

For example, at P_a, before the parts got more expensive, they're willing to sell 40 radios at price of P_a but when the parts got expensive, at the same price, they are willing to sell only 25 radios.

Graph 3 [combined]

Before the 2 events occured, point E_1 is where the buyers and sellers are happy to sell and buy their product for a certain price, but when the events occured, E_2 is now the new point where both are satisfied.

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CASE 2 Increase in Demand & Increase in Supply

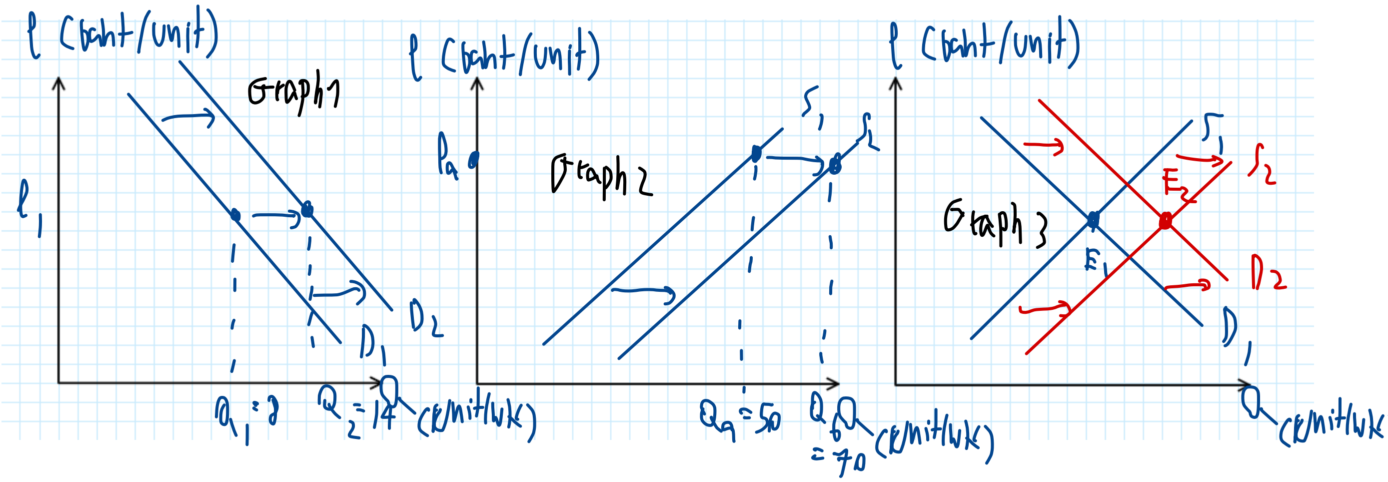
Consider Market for P.M.2.5. mask

EVENT 1 (On Demand Side)

People become cautious for their health.

EVENT 2 (On Supply Side)

New technology for producing the mask.



Full Explanation!

Graph 1

At all price level, buyers are willing to buy more because people got cautious about their health. [D_1 shifts to D_2]

For example, at P_1, before the consumers worried about their heath they are only willing to buy 8 unit/wk, but when they does, they are willing to buy 14 unit/wk.

Graph 2

At all price level, sellers are willing to sell more because when new technology helped with production, they can produce the mask for a lower price for the same quantity.

For example, at P_a, before new technology's arrived, they are willing to sell only 50 (units/wk), but when it does, they're willing to sell 70 (units/wk).

Graph 3

Before the 2 events occured, point E_1 is where the buyers and sellers are happy to sell and buy their product for a certain price, but when the events occured, E_2 is now the new point where both are satisfied.

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CASE 3 Decrease in Demand & Increase in Supply

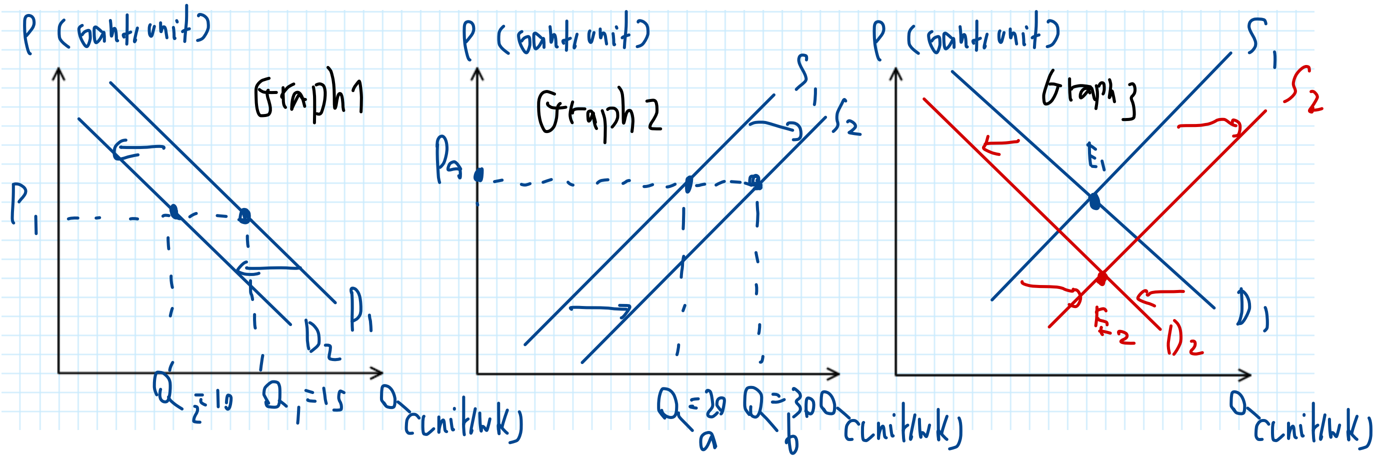
Consider Market for apple

EVENT 1 (On Demand Side)

People got less income.

EVENT 2 (On Supply Side)

Price of apple is going to drop in the near future.



Full Explanation

Graph 1

At all price level, buyers are willing to buy less because they have less money to spend. [D_1 shifts to D_2]

For example, at P_1, before their income decreased, buyers are willing to buy 15 apples/wk, but when it does, they're willing to buy only 10 apples/wk.

Graph 2

At all price level, sellers are willing to sell more at the present because apple price is going to drop.

For example, at Pa, before they knew the price is going to drop, they are willing to sell 20 apples/wk, but when they knew they're willing to sell 30 apples/wk for the same price.

Graph 3

Before the 2 events occured, point E_1 is where the buyers and sellers are happy to sell and buy their product for a certain price, but when the events occured, E_2 is now the new point where both are satisfied.

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CASE 4 Increase in Demand & Decrease in Supply

Consider Market for beef

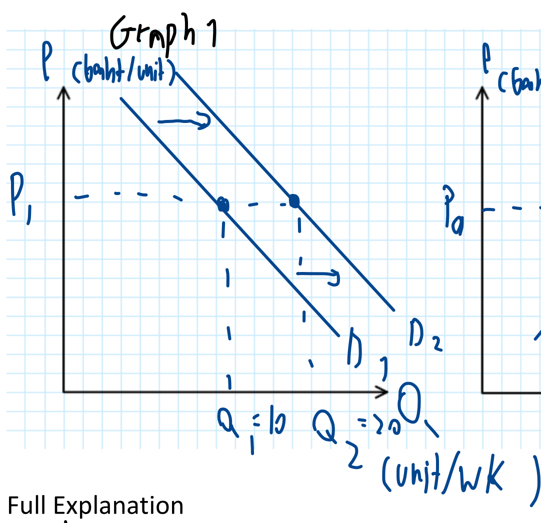
EVENT 1 (On Demand Side)

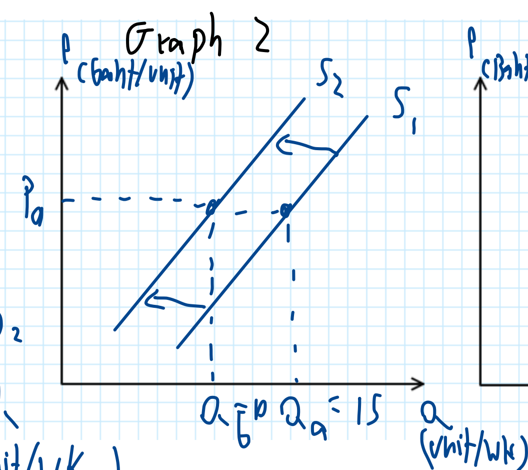
Price of pork goes up.

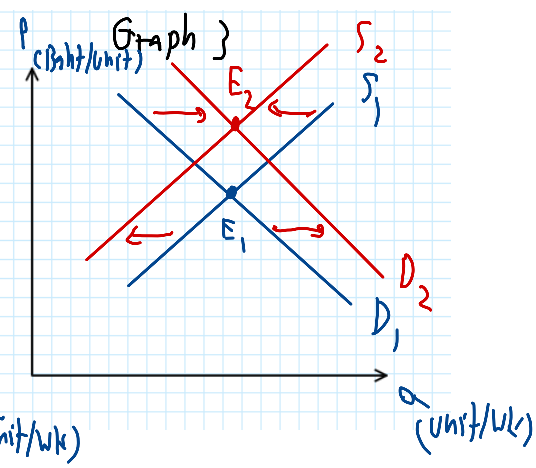
Note $P_a \neq P_1$

EVENT 2 (On Supply Side)

price of food for cows goes up.







Full Explanation

Graph 1

At all price, consumers are willing to buy more at the same price because price of related goods, pork, goes up. [D_1 shifts to D_2]

For example, at P_1, before price of pork rises, consumers are willing to buy 10 unit/wk, but when price of pork rises, they're willing to buy 20 unit/wk.

Graph 2

At all price, sellers are will to sell less at the same price because the input price rises. [S_1 shifts to S_2]

For example, at P_a, before the food become more expensive, sellers are willing to sell 15 unit/wk, but when it does, they're willing to buy 10 unit/wk.

Graph 3

Before the 2 events occured, point E_1 is where the buyers and sellers are happy to sell and buy their product for a certain price, but when the events occured, E_2 is now the new point where both are satisfied.