HW#6 Due Feb 10, 2022
From Problem and Applications of Mankiw book, Chapter 4 The Market Forces of Supply and Demand
#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.

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.

#2

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?

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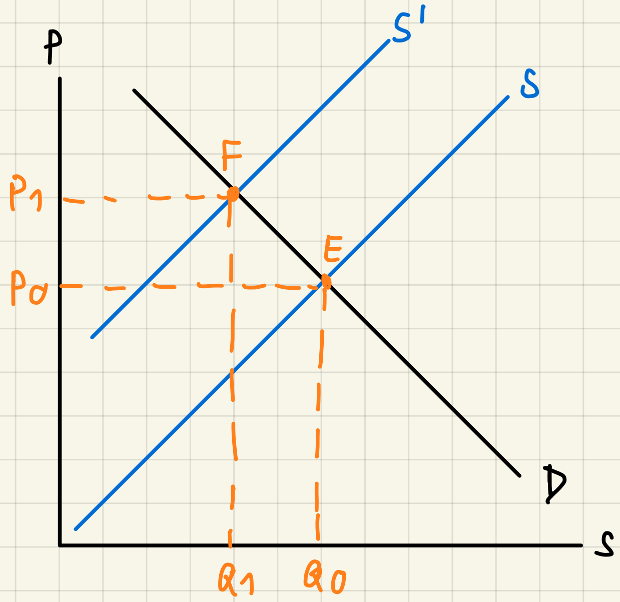
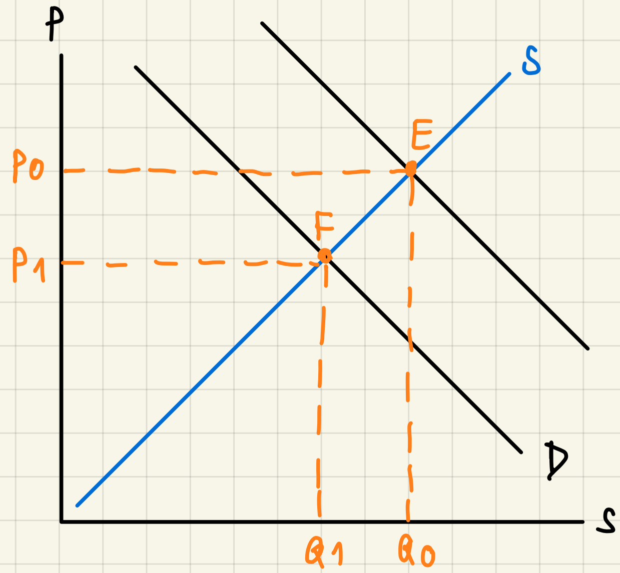
#1

3) b. A strike by steels workers happen because they want to be paid higher, so the cost of production will be increased, the price of steels increase.



At First,
Equilibrium is at Point E
Quantity of supply at Q_0
Price at P_0
When strikes, the rest of workers work more so the cost of production increase.
Quantity of supply decrease from $Q_0 \rightarrow Q_1$
Price increase from P_0 to P_1
supply decrease from S to S'

e. A stock market crash lowers people's wealth. , so the ability of people to spend will be decreased.



At first,
Equilibrium at point E
Quantity of Demand at Q_0
Price at P_0
When market crush,
They have less to spend, so less demand
Demand decrease from D to D'
Quantity of Demand shift from Q_0 to Q_1
Price decrease from P_0 to P_1

#2

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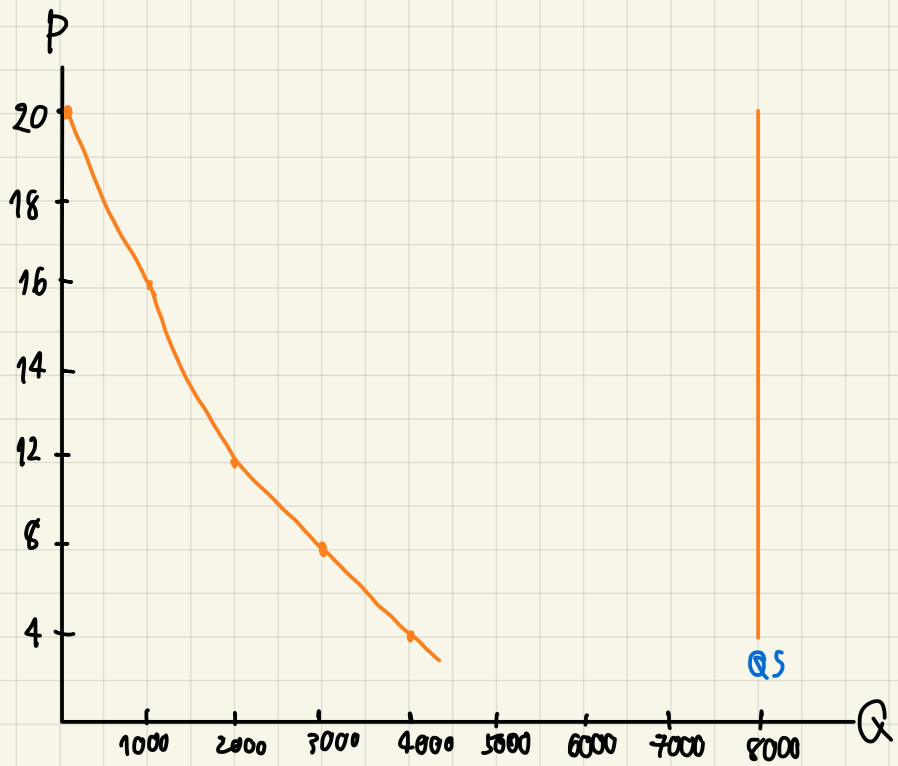

a. When price changes, the quantity supply does not change, slope undefined
∴ Supply is inelastic to price

b.

C.