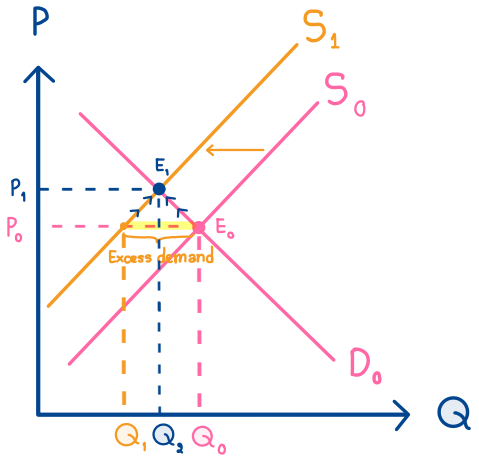
#1 Answer only part (b) and (e). Follow the instruction of the question and, in addition, and describe the market mechanism that causes the change in the market equilibrium.

ประท้วง

b. A strike by steelworkers raises steel prices.

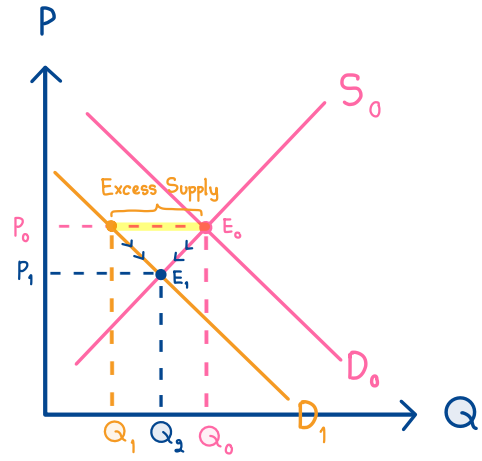


- ★ Initially, there is equilibrium point at E_0 (P_0, Q_0)
- ★ As there is a strike by steelworkers, which mean there are less of labor to produce steel ; quantity of supply decrease , so that the line of supply shift leftward from S_0 to S_1.
- ★ At P_0, there is excess demand as the quantity of supply decrease to Q_1 but quantity of demand remain the same at Q_0
- ★ The market will force the price to be increase until excess demand is eliminated which it will be represent at E_1 where $P_1 = Q_2$

∴ Q_S decrease 👉 Excess demand 👉 Price increase 👉 New equilibrium

(P↑ & Q↓)

e. A stock market crash lowers people's wealth. income ↓



- ★ Initially, there is equilibrium point at E_0 (P_0, Q_0)
- ★ As a stock market crash, people will have less income ; there are less number of people's wealth, the quantity of demand will be decrease so that the line of demand shift leftward from D_0 to D_1
- ★ At P_0, there is excess supply as quantity of demand decrease to Q_1 but quantity of supplied remain at Q_0
- ★ The market will force the price to be decrease until excess supply is eliminated which it will be represent at E_1 where $P_1 = Q_2$

∴ Q_D decrease 👉 Excess supply 👉 Price decrease 👉 New equilibrium

(P↓ & Q↓)

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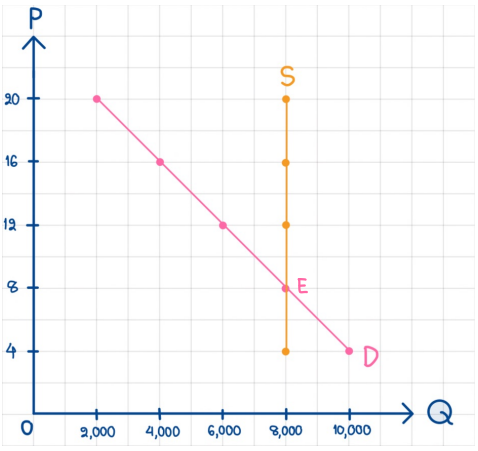
11. Suppose that the price of basketball tickets at your college is determined by market forces. Currently, the demand and supply schedules are as follows:

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?



Normally, the supply curve will have positive slope; follow law of supply: Price increase, Quantity of supplied increase
Price decrease, Quantity of supplied decrease
but in this situation slope of supply curve is ∞ as it's a vertical line. It can be describe that

- ★ There are only 8,000 basketball tickets avaiable in the market (limited resource)
- ★ for quantity 0 to 8,000 tickets, price itself start at $4 (minimum price) until infinity as supplier willing to sell
- ★ for quantity above 8,000 is impossible as there are limited resources.

b. What are the equilibrium price and quantity of tickets?

The equilibrium price & quantity of tickets is represented at point E where both of buyer and seller are willing and able to buy and sell at the same quantity which can can see from the intersect point between demand & supply curve.
Therefore, equilibrium is staying at E where price = $8 & quantity = 8,000 tickets.

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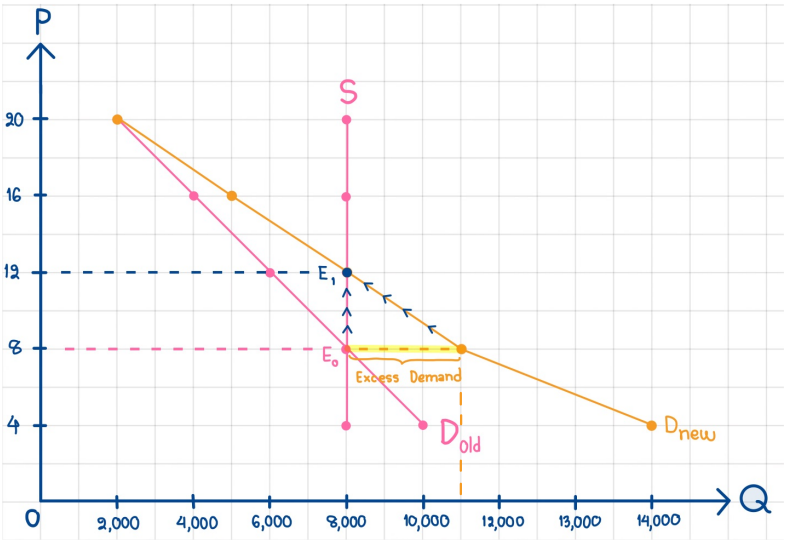
c. Your college plans to increase total enrollment next year by 5,000 students. The additional students will have the following demand schedule:

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?

Price	Quantity Demanded				Quantity Supplied
$4	10,000 tickets	+	4,000	= 14,000	8,000 tickets
8	8,000	+	3,000	= 11,000	8,000
12	6,000	+	2,000	= 8,000	8,000
16	4,000	+	1,000	= 5,000	8,000
20	2,000	+	0	= 2,000	8,000



- Initially, the equilibrium point is at E_0 where P = $8 & Q = 8,000 tickets
- Once there are more students so the quantity demand increases too ; demand curve shift rightward from D_{old} to D_{new}.
- At price $8 , there is excess demand as quantity supplied = 8,000 tickets but the quantity demand equal to 11,000 tickets.
- Therefore, the price will keep increasing until market price is $ 12 where Q_s = 8,000 there is no pressure to change the price any further ; excess demand is eliminated. The new equilibrium is moving from E_0 to E_1 where price = $12 and quantity supplied = 8,000

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