

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.~~

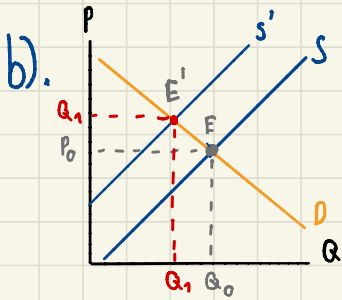
b. A strike by steelworkers raises steel prices.

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

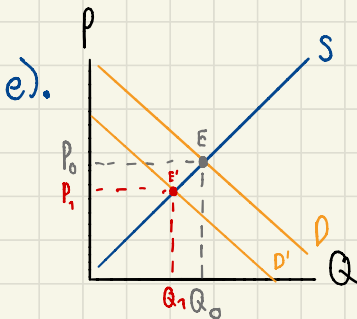
~~d. The price of sports utility vehicles rises.~~

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

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



The supply of the market of minivans is affected. Making the supply increases. Because the price of steel which is the part of minivans is raised, so it makes the price of minivans increasing. This is the reason why the sellers are not willing and able to sell. Therefore, the market equilibrium is increased but the quantity is decreased.



The demand of the market of minivans is affected. Making the demand decreases. Because of the stock market crash lower people's wealth, so buyers are not willing and able to buy. Therefore, the market equilibrium is changed to $E \Rightarrow E'$ and the quantity is decreased.

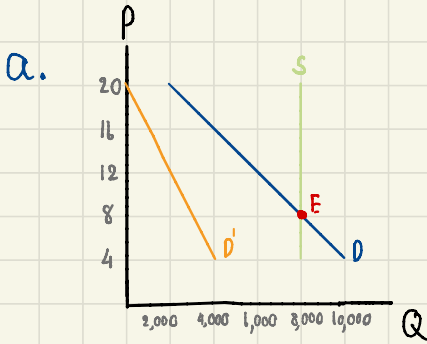
11. Suppose that the price of basketball tickets at your college is determined by market forces. Currently, the demand and supply schedules are as follows:

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

- Draw the demand and supply curves. What is unusual about this supply curve? Why might this be true?
- What are the equilibrium price and quantity of tickets?
- 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?



What is unusual about this supply curve?
Ans This supply is a extreme case.

Why might this be true?
Ans Because the quantity is maximum at 8,000 tickets. And it approaches at any price.

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

Ans The equilibrium price and quantity of tickets is 8,000.

c. What will be the new equilibrium price and quantity?

Ans No, it don't have new equilibrium price and quantity.

