

- 1.) 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 Demand	Quantity Supplied
2	1,000	200
4	800	400
6	600	600
8	400	800
10	200	1,000

- Draw the demand and supply curve and show consumers' and producers' surplus.
- What are the equilibrium price and quantity of tickets?
- Your college plans to increase total enrollment next year. The additional students will have following demand schedule:

Price (\$)	Quantity Demanded
2	400
4	300
6	200
8	100
10	0

Now add the old demand schedule and new demand. What will be the new equilibrium price and quantity?

- 2.) Suppose that business travelers and vacationer shave the following demand for airline tickets from New York to Boston:

Price (\$)	Quantity demand (Business)	Quantity demand (vacationers)
150	2,100	1,000
200	2,000	800
250	1,900	600
300	1,800	400

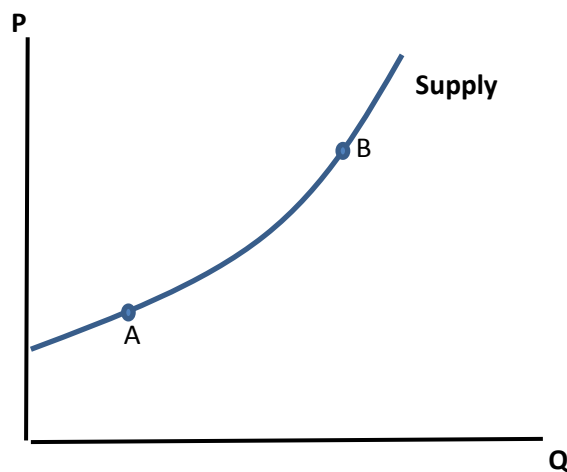
- As the price of tickets rises from \$200 to \$250, what is the price elasticity of demand for business and vacationers? (Use midpoint method in your calculation)
- Due to elasticity in a.) if price change from \$200 to \$250, how much quantity of demand changed for both business and vacationers and who change more? Why? Please use elasticity to proof it

3.) Suppose that price of a bottle of drinking water at university is determined by market forces. Currently, the demand and supply schedules are as follows:

Price (\$)	Quantity Demand	Quantity Supplied
4	10,000	2,000
8	8,000	4,000
12	6,000	6,000
16	4,000	8,000
20	2,000	10,000

- Draw the demand and supply curves and show consumers' surplus and producers' surplus.
- What are the equilibrium price and quantity?
- Suppose that producer discover a new technology that increases productivity of production process. What will happen to equilibrium price and quantity? And how consumers' and producers' surplus change? (Illustrate in new graph with explanation)
- Suppose that parents of all students has to pay more tuition fee which means that students would get less money, what will happen to equilibrium price and quantity? And how consumers' and producers' surplus change?(Illustrate in new graph with explanation)
- Suppose that price is increased from \$12 to \$16. What is elasticity of demand? And what will happen to consumers' surplus? By how much? (Use midpoint method in your calculation)

4.) Consider the following Supply curve:



- What is Elasticity of Supply at Point A and Point B? Greater or less than 1
- Where is the point that gives Elasticity of supply equal to 1?