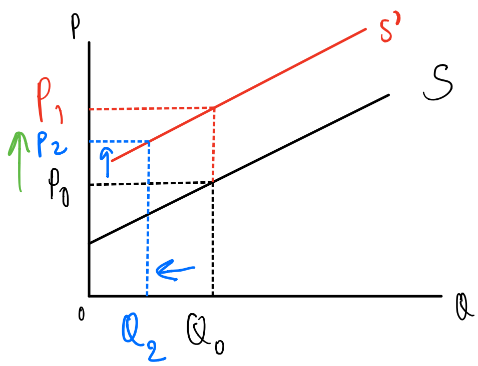
Supply & Demand of Minivans

1. b.) A strike by steelworkers raises steel prices.

As steel is one of the pieces that goes into production of a vehicle — in this case, mini van. Hence, the production companies have to pay more than they usually do in producing one minivan according to an increase in price.

→ This would decrease the supply

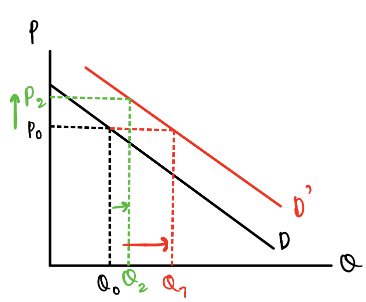


The producers need to pay more in order to produce the same quantity supplied

In order for the producers to maintain their production cost, they have to reduce the amount of output — minivan.

This also applies in the case when the price of producing a minivan increases, the amount of minivans they can produce decreases

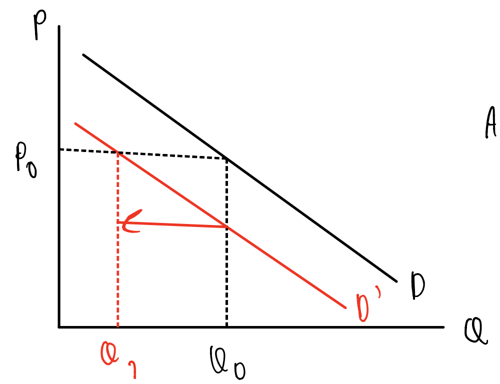
→ If this is the case, the producers might have to raise the price in order to meet their original amount of output. Or, in other hand, they would decrease the production of minivans in order to cut any additional cost. The latest action would lead to an increase of demand.



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

People would buy less minivan as their income, generated by holding stocks, decreases. due to lower purchasing power.

→ A decrease in demand



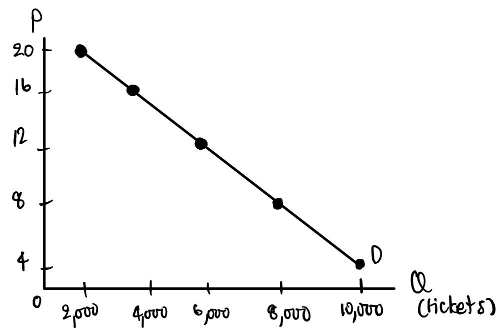
At the same price, people would want to buy less.

(2)

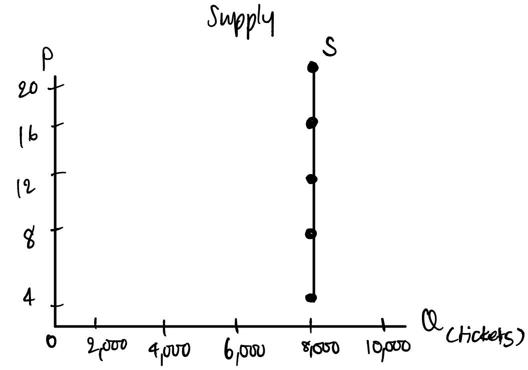
Price	Quantity Demanded	Quantity Supplied
$4	10,000 tickets	8,000 tickets
8	8,000	8,000
12	6,000	8,000
16	4,000	8,000
20	2,000	8,000

(a.) Demand & Supply curve

Demand

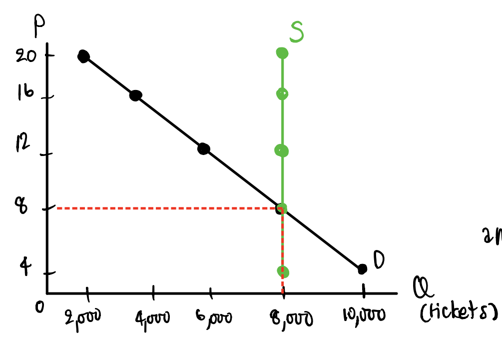


Supply



- This is an extreme case of supply; which means at any price, the consumers still want to buy 8,000 tickets.

(b.) Equilibrium price & quantity of tickets



Equilibrium
price = $8 #
amt. of tickets = 8,000 #

(c.)

New Demand

$ 4 → 14,000 tickets
$ 8 → 11,000 tickets
$ 12 → 8,000 tickets
$ 16 → 5,000 tickets
$ 20 → 2,000 tickets

∴ New equilibrium

price = $12 #

amt. of tickets = 8,000 #