

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.

b. If the steel prices increase from a strike by steelworkers, the cost of producing a minivan would also increase. This also affects the supply for minivans in which the company can produce less minivan. However, the demand will neither increase or decrease. Then, the price for minivans will be higher but the quantity of minivans sold will be lower.

e. People's wealth decreases will directly affect people's income. Income is one of the factors that affects the demand for minivans. In which, the price of minivans will decrease.

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

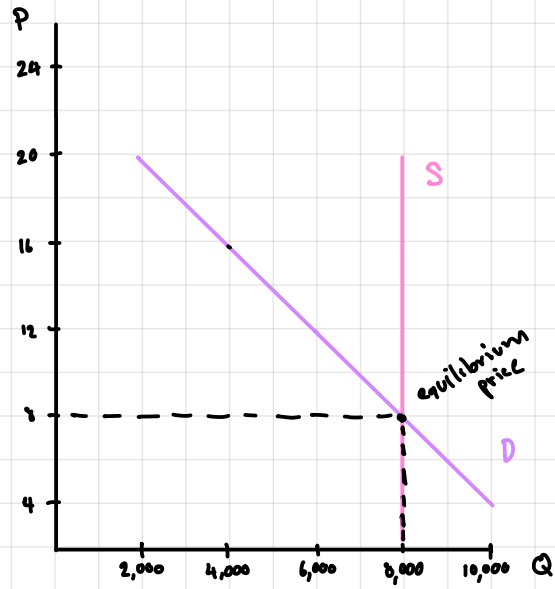
Now add the old demand schedule and the demand schedule for the new students to calculate the new demand schedule for the entire college. What will be the new equilibrium price and quantity?

#2

- The demand curve is a negative slope linear line, but the quantity supplied is a vertical linear line because the quantity supplied is fixed at all prices.
- The equilibrium price is 8, while the equilibrium quantity is 3,000 tickets.
- The new equilibrium price is 12 and the equilibrium quantity is still 3,000 tickets.

graphs are on
the next page v.

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