

Microeconomics assignment

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If people decide to have more children, they will want larger vehicles for hauling their kids around, so the demand for minivans will increase. Supply will not be affected. The result is a rise in both the price and the quantity sold, as Figure 12 shows. B. A strike by steel workers raises steel prices.

NAS: demand is affected, strikes raise steel prices, steel workers' wages will increase, increased demand for home station wagon. Meanwhile, the domestic steel prices increased input prices rise wagon, supply reduction.

NAS in : .

If a strike by steelworkers raises steel prices, the cost of producing a minivan rises and the supply of minivans decreases. Demand will not be affected. The result is a rise in the price of minivans and a decline in the quantity sold C.

Engineers develop new automated machinery for the production of minivans.

NAS: The decision to supply technical factors affected production

technologies improve, will increase the supply of domestic wagon. NAS in:

The development of new automated machinery for the production of minivans is an improvement in technology. This reduction in firms' costs will result in an increase in supply.

Demand is not affected. The result is a decline in the price of minivans and an increase in the quantity sold Supply increases, so the price falls and the

quantity rises. D. The price of sports utility vehicles rises NAS: The decision needs related items price factors affected due Subs substitute for home station wagon, so the demand will increase household wagon. Shown in

Figure 4-4. NAS in: The rise in the price of sport utility vehicles affects

minivan demand because sport utility vehicles are substitutes for minivans.

The result is an increase in demand for minivans.

Supply is not affected. The equilibrium price and quantity of minivans both rise. E. A stock market crash lowers people's wealth. NAS: The stock market crash to reduce people's property, income reduction will make a drop in demand for home Wagon (wagon is normal household goods), the supply is not affected. Shown in Figure 4-7, the home station wagon prices and quantities were decreased. NAS in : The reduction in people's wealth caused by a stock-market crash reduces their income, leading to a reduction in the demand for minivans, because minivans are likely a normal good.

Supply is not affected. As a result, both the equilibrium price and the equilibrium quantity decline. Demand decreases and supply decreases, so the quantity certainly falls and the change in the price is ambiguous. 4. Consider the markets for DVD movies, TV Screens, and tickets at movie theaters. A. For each pair, identify whether they are complements or substitutes: DVD's and TV screens, DVD's and movie tickets, TV screens and movie tickets. A. Answer: DVD and TV are complementary goods, because it is impossible in the absence of the TV watching DVD.

DVD and movie tickets are substitutes, because a movie that you can see in the cinema, you can also look at home. TV and movie tickets are substitutes, similar to the above reasons. NAS in : DVD's and TV screens – Complements, DVD's and movie tickets – substitutes, TV screens and movie tickets – substitutes. b. Suppose a technological advance reduces the cost of manufacturing TV screens. Draw a diagram to show what happens in the market for TV screens. NAS: Technical advances have reduced the cost of

manufacturing the TV, so the TV supply curve to the right. TV demand curve unchanged.

The result is the equilibrium price of the TV down, the equilibrium quantity increased, as shown in Figure 4-8. NAS in: The technological improvement would reduce the cost of producing a TV screen, shifting the supply curve to the right. The demand curve would not be affected. The result is that the equilibrium price will fall, while the equilibrium quantity will rise. C. Draw two more diagrams to show how the change in the market for TV screens affects the markets for DVD's and movie tickets NAS: Because the TV and DVD are complementary goods, TV prices fall so that the increased demand for DVD.

Increased demand caused DVD equilibrium prices, the equilibrium quantity increases, as shown in Figure 4-9. NAS in : The reduction in the price of TV screens would lead to an increase in the demand for DVD's because TV screens and DVD's are complements. The effect of this increase in the demand for DVD's is an increase in both the equilibrium price and quantity NAS 2: As TV and movie tickets are substitutes, TV movie ticket prices fall so that reduced demand. Reduced demand equilibrium that movie ticket prices, reducing the number of equalizer, shown in Figure 4-6.

The income factors determining demand affected the stock market crash to make people's dividend, dividend income decreased demand for home station wagon will be reduced. NAS 2 in : The reduction in the price of TV screens would cause a decline in the demand for movie tickets because TV screens and movie tickets are substitute goods. The decline in the demand for movie tickets would lead to a decline in the equilibrium price and

quantity sold. 7. A survey shows an increase in drug use by young people. In the ensuing debate, two hypotheses are proposed: -Reduced police efforts have increased the availability of drug on the street. Cutbacks in education efforts have decreased awareness of the dangers of drug addiction. A) Else supply-and-demand diagrams to show how each of these hypotheses could lead to an increase in the quantity of drugs consumed. NAS in: Hypothesis I: Supply increases and the supply curve shifts to the right, so the price falls and the quantity rises shown in figure 1 Hypothesis II: Demand increases and the demand curve shifts to the right, so the price rises and the quantity rises, shown in figure 2 NAS: The police force reduction will result in increase in the supply of drugs.

Shown in Figure 1 , which leads to drug- equilibrium prices, the equilibrium quantity rises. On the other hand, investment in education cuts will lead to increased demand for drugs. This will drive up the equilibrium price and quantity, shown in Figure 2. B. How could information on what has happened to the price of drugs help us to distinguish between these explanations? NAS in: Hypothesis I: the price falls; Hypothesis II: the price rises. NAS: Fifth equilibrium prices, we believe that the first hypothesis.

If you look at your data, that's where the quantity demanded equals the quantity supplied. NAS: The market equilibrium price is \$ 6, the equilibrium quantity is 81. B) If the actual price in this market were above equilibrium price, what would drive the price toward the equilibrium? NAS: If the price was above \$6. 00, say at \$7. 0, only 68 would be demanded, but 98 would be supplied. This causes a surplus of the good, and producers will have to

cut the price until they clear their surplus inventory. That will happen when the price is lowered to \$6.00.

NAS: When the actual market price is higher than the equilibrium price, there is excess supply, suppliers have found pizza always backlog so vendors reduce prices and increase sales, the market tends to equilibrium. C) If the actual price in this market were below the equilibrium price, what would drive the price toward the equilibrium? NAS: If the price is at \$5.00, there will be a shortage. 64 are demanded, but only 53 is supplied. Suppliers, seeing an opportunity to make some extra cash, will raise the price and produce more until the market clears at \$6.00. NAS: When the actual market price is lower than the equilibrium price, there is excess demand, vendors have found that higher prices will not decrease in sales of pizza, so they raise prices, the market tends to equilibrium. 11. Consider the following events: Scientists reveal that consumption of oranges decreases the risk of diabetes and at the same time farmers use a new fertilizer that makes orange trees more productive. Illustrate and explain what effect these changes have on the equilibrium price and quantity of oranges.

NAS: The former will increase awareness of the needs of oranges, so the equilibrium price and quantity are improved. The latter will increase the supply of oranges, so that equilibrium prices, the equilibrium quantity increases. If both occur at the same time, oranges equilibrium quantity is bound up, but the impact on the equilibrium price of oranges will be uncertain. NAS in: 1 The news about oranges being healthy will lead to a

rightward shift of the demand curve. In other words, demand will increase. Usually, an increase in demand drives price upward. 2.

The increased productivity of orange trees will lead to a rightward shift of the supply curve. Again, this translates to an increase in supply. Usually, an increase in supply drives price downward. In both of these cases, the equilibrium between price and quantity is driven towards a larger quantity of oranges being bought and sold. However, the fact that points 1 and 2 (see above) drive price in opposite directions means that the price is indeterminate. Your answer should state that the equilibrium quantity will increase and that the equilibrium price is ambiguous.