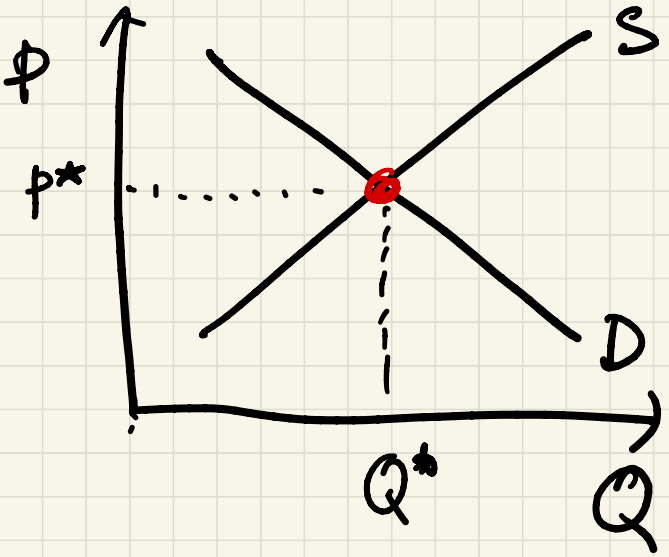
Micro 1 : Lecture 1

Evening

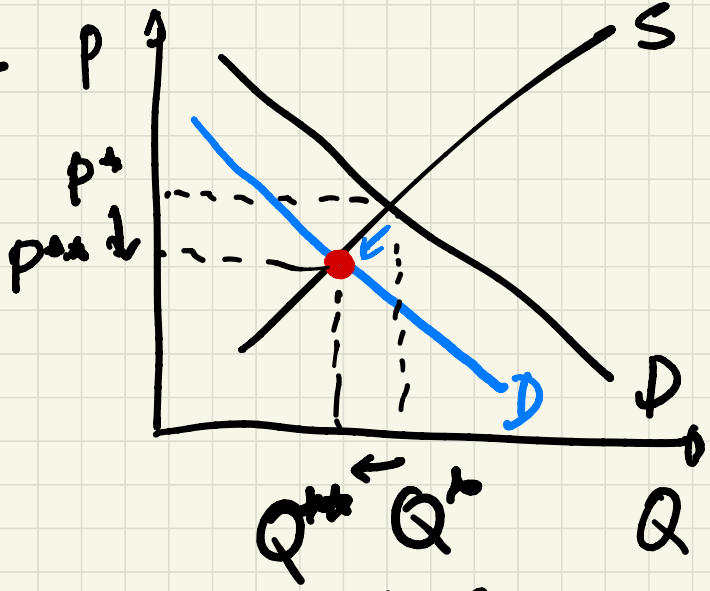
9/1/2020

Vanilla market.

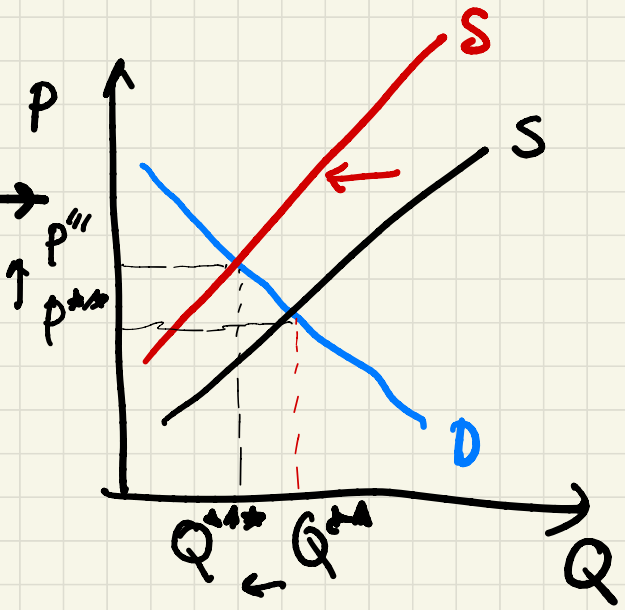
Step 1



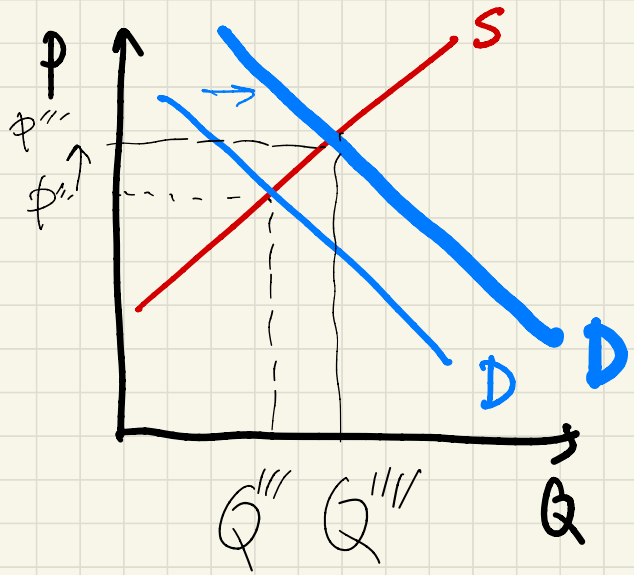
Step 2



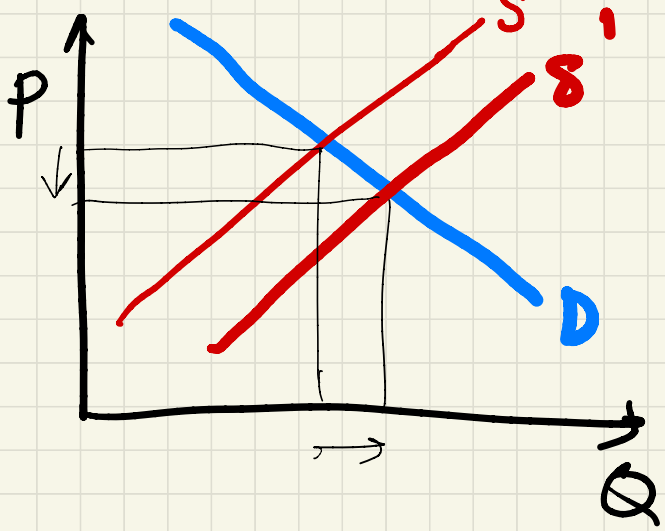
Step 3



Step 4



Step 5



1. List the factors that influence demand. Choose a product market and give examples of each of these factors for that market. (We do not go over these factors for supply, but you would be well-advised to know them.)

1. Price.
2. Number of consumers.
   - # of customers wanting a product
3. Income or wealth.
4. Availability of substitutes.
5. Consumer tastes

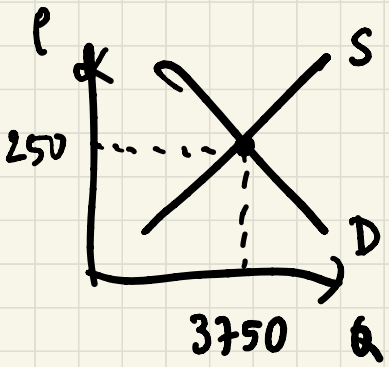
2. Choose a market and give an example of a factor that would shift the demand curve and a factor that would shift the supply curve.

3. How does a consumer perceive a change in the price of beer due to an increase in the cost of manufacturing aluminum cans: as a shift in the demand curve, or a movement along the demand curve?

Suppose that the supply of steel is given by $Q_S = 15P$, and that the demand for steel is given by $Q_D = 10,000 - 25P$.

(a) What is the current equilibrium price and quantity?

Eqbm is when $Q_S = Q_D$



$15P = 10,000 - 25P$

$40P = 10,000$

$4P = 1,000$

$P = 250$

$Q_S = 15P$

$= 15(250)$

$Q_S = 3750$

$Q_D = 10000 - 25P$

$Q_D = 3750$

Suppose that the supply of steel is given by $Q_S = 15P$, and that the demand for steel is given by $Q_D = 10,000 - 25P$.

(b) Suppose that steel is imported and that the government imposes tariffs of \$100 per unit. What is the new supply curve? (Hint: the P of supplying each unit increases by 100; re-write the supply curve in terms of P and add 100.)

$Q_S = 15P$

15

$P = Q_S/15$ ← orig supply, in terms of P

$P_{new} = P_{orig} + 100$

$P_{new} = \frac{Q_S}{15} + 100$

(c) Without doing any algebra, what do you anticipate should happen to price and quantity after the introduction of the tariff? Draw a diagram to illustrate what is going on.

(d) What is the new equilibrium price and quantity?