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.

Answer:

a. People decide to have more children. - Demand, Increase (shift right).

\[
\begin{align*}
P & \uparrow & Q & \uparrow \\
& D_2 & S \\
& D_1 & \\
& P_2 & P_1 \quad Q_1 & Q_2 \\
\end{align*}
\]

b. A strike by steelworkers raises steel prices. - Supply, decrease (shift left).

\[
\begin{align*}
P & \uparrow & Q & \downarrow \\
& D & S_2 & S_1 \\
& P_2 & P_1 \quad Q_2 & Q_1 \\
\end{align*}
\]
c. Engineers develop new automated machinery for the production of minivans. - Supply, increase (shift right).

![Graph showing supply increase]

- Demand, increase (shift right).

D1: Initial demand curve
P1: Initial price
Q1: Initial quantity
D2: Shifted demand curve
P2: New price
Q2: New quantity
S1: Shifted supply curve
S2: New supply curve

d. The price of sports utility vehicles rises. - Demand, increase (shift right). - If sports utility vehicles are substitutes for minivans.

![Graph showing demand increase]

- Demand, increase (shift right).

D1: Initial demand curve
P1: Initial price
Q1: Initial quantity
D2: Shifted demand curve
P2: New price
Q2: New quantity

e. A stock market crash lowers people’s wealth. - Demand, decrease (shift left).

![Graph showing demand decrease]

- Demand, decrease (shift left).

D1: Initial demand curve
P1: Initial price
Q1: Initial quantity
D2: Shifted demand curve
P2: New price
Q2: New quantity

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