

**DISCUSSION QUESTION**

Name:

Instructor:

Course:

The Zac Brown Band is coming to town for a concert. Due to the band's popularity, pre-concert ticket sales are exceeding forecasted demand. As a result, should we expect price and quantity to be in equilibrium? If not, how can equilibrium be reached?

**PEER GROUP PROBLEM SOLVING**

Name:

Instructor:

Course:

The owner of an apartment building knows that, given current market conditions, he can rent every apartment in his building for \$800 per month. However, the city government feels that this price excludes too many people who cannot afford \$800 per month in rent expense and decides to impose a price ceiling on apartment rent of \$600 per month. What happens to:

- a) demand for apartments?
- b) supply for apartments?
- c) quantity demanded for apartments?
- d) quantity supplied for apartments?

**IN-CLASS EXPERIMENT / ACTIVE EXERCISE**

The supply of seats in a football stadium is fixed at 5,000 seats. Prior to the recession, tickets for football games were priced at \$125. Now, however, pre-game ticket sales are much lower, only 2,000 seats have been sold. Using the determinants of supply and demand, offer several reasons for the disequilibrium and identify several solutions.

## SOLUTIONS AND INSTRUCTOR NOTES

### Discussion Question

The Zac Brown Band is coming to town for a concert. Due to the band's popularity, pre-concert ticket sales are exceeding forecasted demand. As a result, should we expect price and quantity to be in equilibrium? In not, how can equilibrium be reached?

*Supply and demand for the concert tickets are not in equilibrium. Ticket prices will rise until equilibrium is reached. An alternate solution would be to bring in additional temporary seating (increase in supply).*

### Peer Group Problem Solving

The owner of an apartment building knows that, given current market conditions, he can rent every apartment in his building for \$800 per month. However, the city government feels that this price excludes too many people who cannot afford \$800 per month in rent expense and decides to impose a price ceiling on apartment rent of \$600 per month. What happens to:

- a) demand for apartments? *stays the same*
- b) supply for apartments? *stays the same*
- c) quantity demanded increases? *At lower prices, fewer apartments will be good.*
- d) quantity of apartments supplied decreases? *At lower prices, fewer apartments will be supplied, leading to shortages and deadweight loss.*

### In-Class Experiment / Active Exercise

The supply of seats in a football stadium is fixed at 5,000 seats. Prior to the recession, tickets for football games were priced at \$125. Now, however, pre-game ticket sales are much lower, only 2,000 seats have been sold. Using the determinants of supply and demand, offer several reasons for the disequilibrium and identify several solutions.

*Divide students into groups (will vary depending on class size). Have each group offer one reason for the problem based on one of the determinants of demand. Once the possible reasons have been discussed, ask each group to provide a solution.*

*For more in-class experiment and active learning ideas, visit [www.econedactive.com](http://www.econedactive.com).*