

ACTIVITY 5.1

Price Floors and Ceilings

1. What is the market-clearing price in the graph below?
2. What quantity is demanded and what quantity is supplied at the market-clearing price?

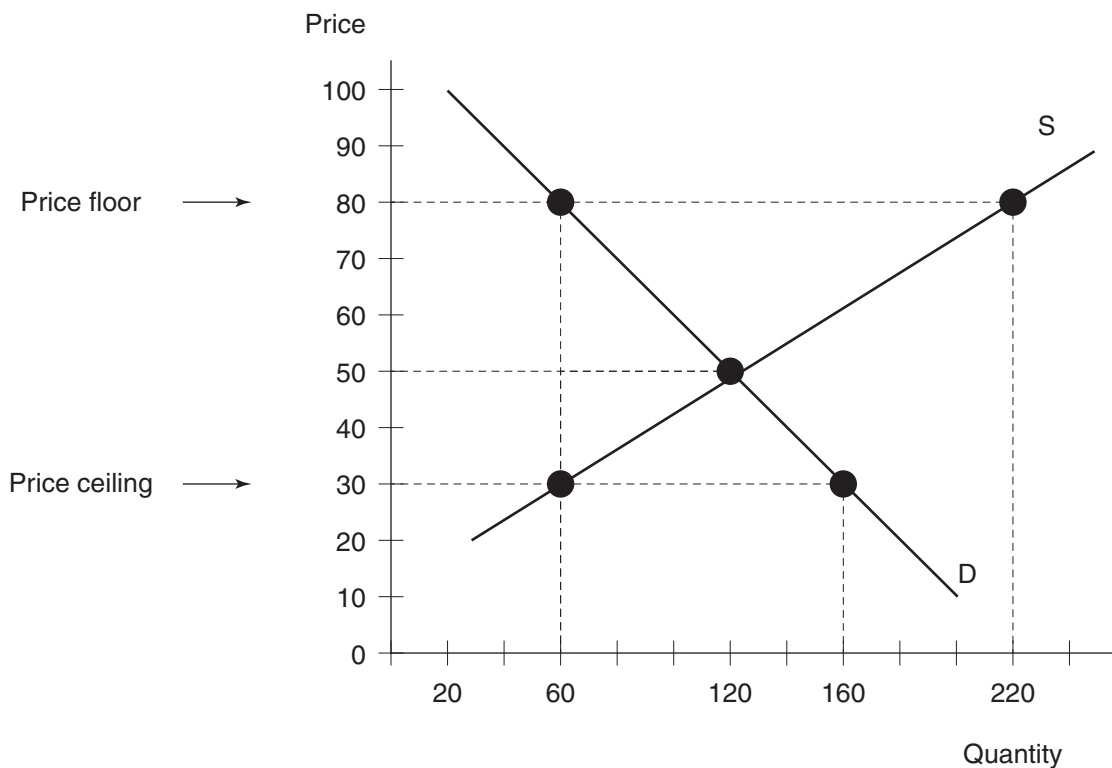
Quantity demanded _____ Quantity supplied _____

3. What quantity is demanded and what quantity is supplied if the government passes a law setting a maximum price of \$30?

Quantity demanded _____ Quantity supplied _____

4. What quantity would be demanded and what quantity would be supplied if the government passed a law setting a minimum price of \$80?

Quantity demanded _____ Quantity supplied _____



ACTIVITY 5.2

An Altruistic Musician Is a Scalper's Dream

<http://www.npr.org/blogs/money/2013/06/27/196277836/kid-rock-takes-on-the-scalpers>

Your favorite musical artist is always thinking of the fans. Yes, she can sell out the biggest arenas, but she prefers smaller venues for a more intimate concert experience. Yes, she can charge hundreds of dollars for seats, but she would rather keep ticket prices low for her legion of blue-collar followers. Her heart may be in the right place, but ticket scalpers are salivating at the small supply of tickets at below-market prices despite frenzied demand.

Few products are so frequently underpriced that an entire secondary market thrives in both shadow and light to take advantage of the discrepancy. There is the traditional scalper, hovering on the outskirts of an event hawking tickets inconspicuously, and then there are companies like StubHub and Ticketmaster that control vast online resale markets.

Listen to the podcast accessed from the link above and then respond to the questions below.

Discussion Questions:

1. Why would some artists charge as much as they can for a ticket to their concert, while other musicians make a serious effort to keep their ticket prices “affordable”?
2. According to Jared Smith, president of Ticketmaster North America, artists who charge the least tend to see the most scalping. Explain, from an economic point of view, why this is the case.

ACTIVITY 5.2 (Continued)

3. Based on the prices quoted in the story, why is it clear that Taylor Swift underpriced her concert tickets?

4. Once fans have entered a concert venue, there are markets for refreshments and souvenirs to “enhance the concert experience.” Explain why lower ticket prices can affect these markets.

5. Kid Rock is implementing a number of innovations to squeeze out the secondary market. What are his ideas and how do they benefit fans of modest means?

6. Why does the consumer find it more acceptable to pay the market price to a scalper than to the artist?