

The law of the market: demand and supply 2

In Rolling Stone magazine, several fans and rock stars, including Pearl Jam, were bemoaning the high price of concert tickets. One superstar argued, “It just isn’t worth \$75 to see me play. No one should have to pay that much to go to a concert.” Assume this star sold out arenas around the country at an average ticket price of \$75.

- a. How would you evaluate the arguments that ticket prices are too high?
- b. Suppose that due to this star’s protests, ticket prices were lowered to \$50. In what sense is this price too low? Draw a diagram using supply and demand curves to support your argument.
- c. Suppose Pearl Jam really wanted to bring down ticket prices. Since the band controls the supply of its services, what do you recommend they do? Explain using a supply and demand diagram.
- d. Suppose the band’s next CD was a total dud. Do you think they would still have to worry about ticket prices being too high? Why or why not? Draw a supply and demand diagram to support your argument.
- e. Suppose the group announced their next tour was going to be their last. What effect would this likely have on the demand for and price of tickets? Illustrate with a supply and demand diagram.

Paul Krugman and Robin Wells, *Essentials of Economics*, 2d edition, 2011