Problem Set 1

1. Aaron Hank is a star hitter for the Bay City baseball team. He is close to breaking the major league record for home runs hit during one season, and it is widely anticipated that in the next game he will break that record. As a result, tickets for the team's next game have been a hot commodity. But today it is announced that, due to a knee injury, he will not in fact play in the team's next game. Assume that season ticket-holders are able to resell their tickets if they wish. Use supply and demand diagrams to explain your answers to parts a and b.

a. Show the case in which this announcement results in a lower equilibrium price and a lower equilibrium quantity than before the announcement.