

Use Supply and Demand to answer the following questions.

Delphi Automotive, a major Automotive Parts Supplier (a company that supplies the parts used to assemble a car) recently went bankrupt. While the factories still exist, they are all closed while the company is sorted out, and will not re-open for a long time. This has caused a major disruption in the manufacture of U.S. cars. Using supply and demand, explain;

1. What will this bankruptcy do to the supply and demand of **U.S. produced cars, in the U.S.?**
2. What will this do to the supply of, and demand for, **Japanese cars sold in the U.S.?**
3. Several Thai companies are capable of manufacturing the same items that Delphi Automotive did. What will happen to the supply and demand for **automotive parts in the U.S.** if the Thai companies can quickly start supplying the parts from their factories?
4. What would be different about the above answer if it would instead take a long time for Thai companies to begin supplying the parts to U.S. automakers?

Using Supply and Demand, model and explain the following....

The demand for eggs is price - inelastic. However, the cross price-elasticity of eggs and bacon is high (elastic). Illustrate and explain what will happen in the egg market, if the government puts a tax on Bacon.

What will happen to the price and market clearing quantity of THAI WIVES IN THAILAND, if demand for thai wives by Chinese men goes up?

A war in the middle east cuts off the supply of oil to the rest of the world. What will happen to the price, and market clearing quantity, of oil in the short run. In the long run, what will happen?

What effect would a price floor on Rice, set above the market clearing rate, have on the Thai rice market. Who would stand to benefit from this program, and who would be hurt (Hint – use consumer and producer surplus to answer that)? How would your answer change if the supply of rice was elastic, vs. if it is elastic.

Graph out the supply and demand for low skill workers. Assume that the market clearing wage is 20 baht an hour (i.e. assume that low skill workers will get paid 20 baht an hour when the market set prices). If the minimum wage is 15 baht, what effect will this have on the quantity of low skilled workers working, and the wages they receive. What if the minimum wage is instead set to be 30 baht an hour? Then explain (and show) what the effects of a minimum wage set above the market clearing price will be. Under what conditions will workers benefit from a high minimum wage, and under what conditions will they suffer?

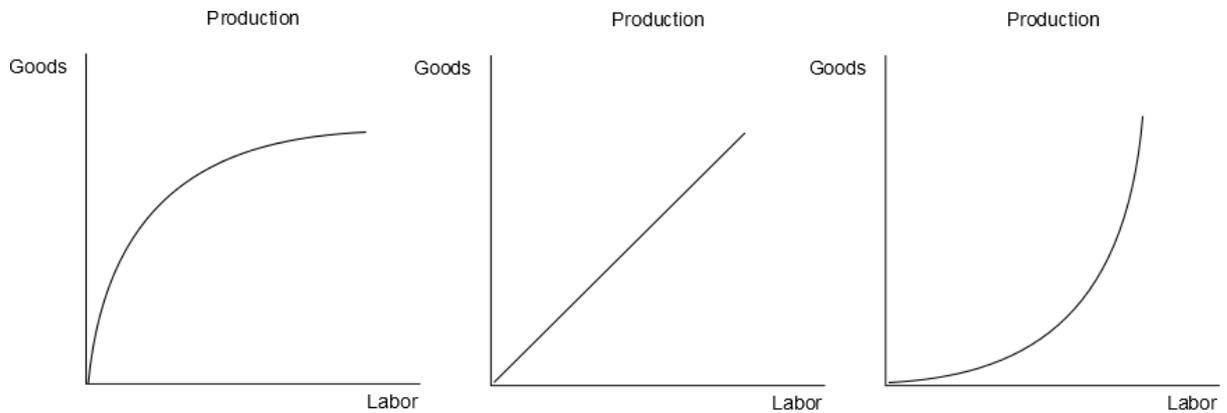
Draw a supply and demand graph for the labor market, be sure to label it clearly. Then, assume that the Thai Government mandates that all Thai companies have to provide workers with free health care benefits. What will this do to wages, the quantity of workers employed, and the compensation of workers. Under what circumstances would this help workers, and under what circumstances would it hurt them.

What are the assumptions about how people interact in a market, that makes many economists believe that markets lead to moral behavior. Why do economists assume this to be true, even if people are at heart selfish.

Using the concept of consumer and producer surplus, explain why economists believe markets are a pretty good way to organize society

I like beer, so much that I would buy the first can after work for 100 baht. I would pay 90 for the second can, 80 for the third, and 10 baht less for each successive can. This exhibits _____ returns, and means that demand slopes _____. If the price of beer is 40 baht a can, how much money should I spend on beer?

Assume three types of productive technologies, illustrated below. Which one shows declining returns, increasing returns, and constant returns. Now below each one, show production possibility frontier for two goods that both shared the same productive technology would have. Be sure to label economically efficient, economically inefficient, and technologically impossible points.



Caveman Ooog, and his cavewife Grrrr, have to decide about who will hunt, and who will gather. Ooog can catch 1 rabbits an hour, or gather 1 coconut in an hour day. Grrrr can catch 1 Rabbit every two hours, or gather 2 coconuts in an hour.

Draw the production possibility frontier if they each hunt/gather for themselves, and then draw it if the cooperate and share. Who would specialize in what, and why. Is this an example of absolute, or comparative, advantage.

Define the following

Opportunity cost
Path dependency
The law of supply and demand
Elasticity
The production possibility frontier
Comparative advantage
Absolute advantage
Tax
Sales tax/VAT
Income tax
 Progressive tax
Property rights
 What are the three characteristics of them?
Technological innovation
TANSTAAFL
The Law of Unintended consequences
Positive Incentives
Negative Incentives
The Peltzman Effect
Price Elasticity
Cross-Price Elasticity
Income Elasticity
The Short Run and the Long Run
Thick Markets
Cartels (OPEC)
Price Discrimination
The law of diminish returns
Declining, constant, increasing, returns.
Economic profits
Accounting profits