al Soundtrack from Motion Picture

't Break My Heart

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- LOOP - TYPE SET<SPACE>200000381 & SEND IT TO 55666
- FOR RELIANCE CALLERTUNES DIAL 51234848
- FOR TATA WELCOME TUNES DIAL 12800
- FOR AIRCEL DIALER TUNES DIAL

VALENTINE SPECIAL

"If U Break My Heart..." I Will Break UR Bones...!

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Camel Market ?Egypt

http://camelphotos.com/GraphicsP7/camel_market2.jpg

Supply and Demand in Minerals and Fuels

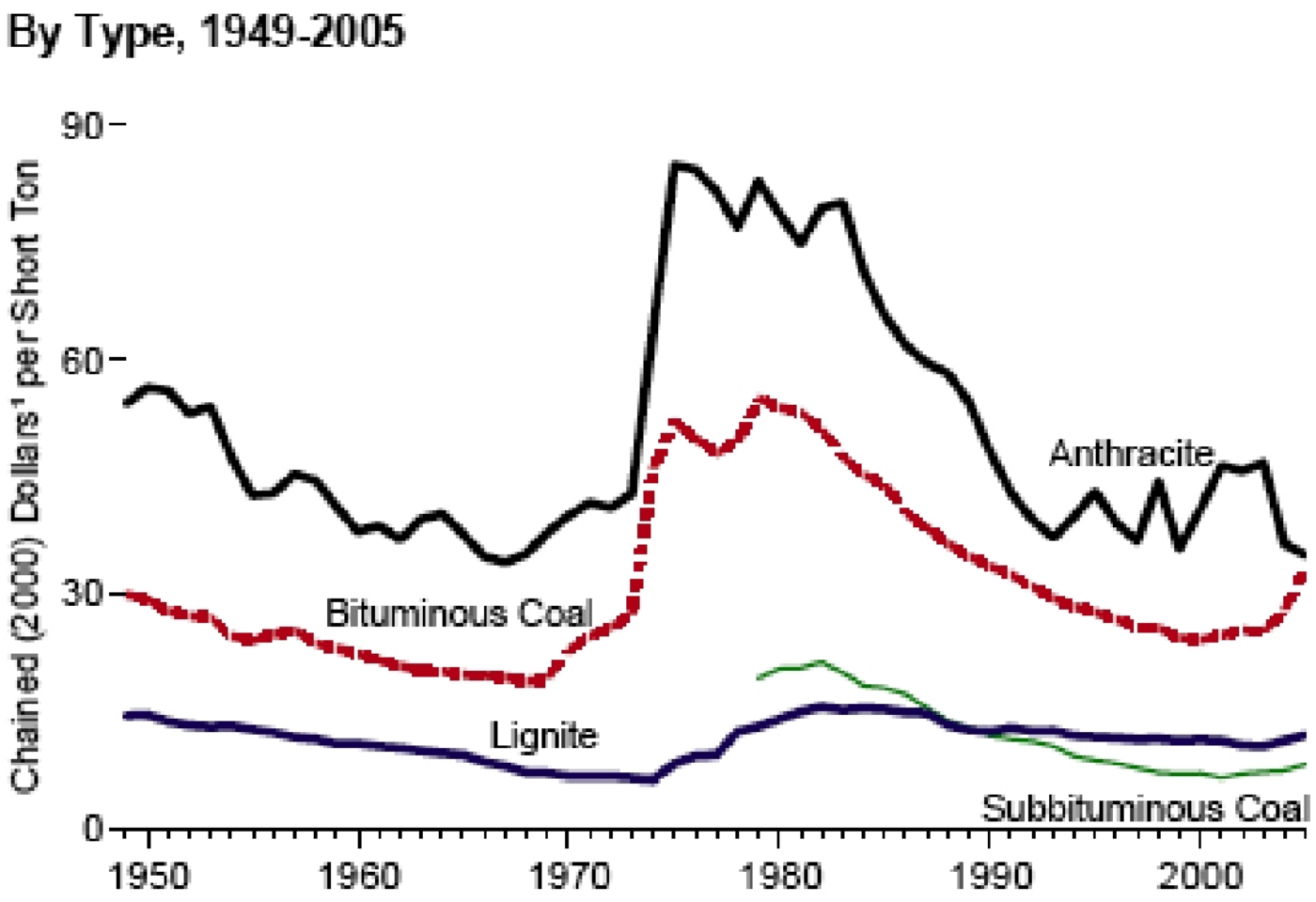


Figure 1.6 Cost of Fuels to End Users in Real (1982–1984) Dollars

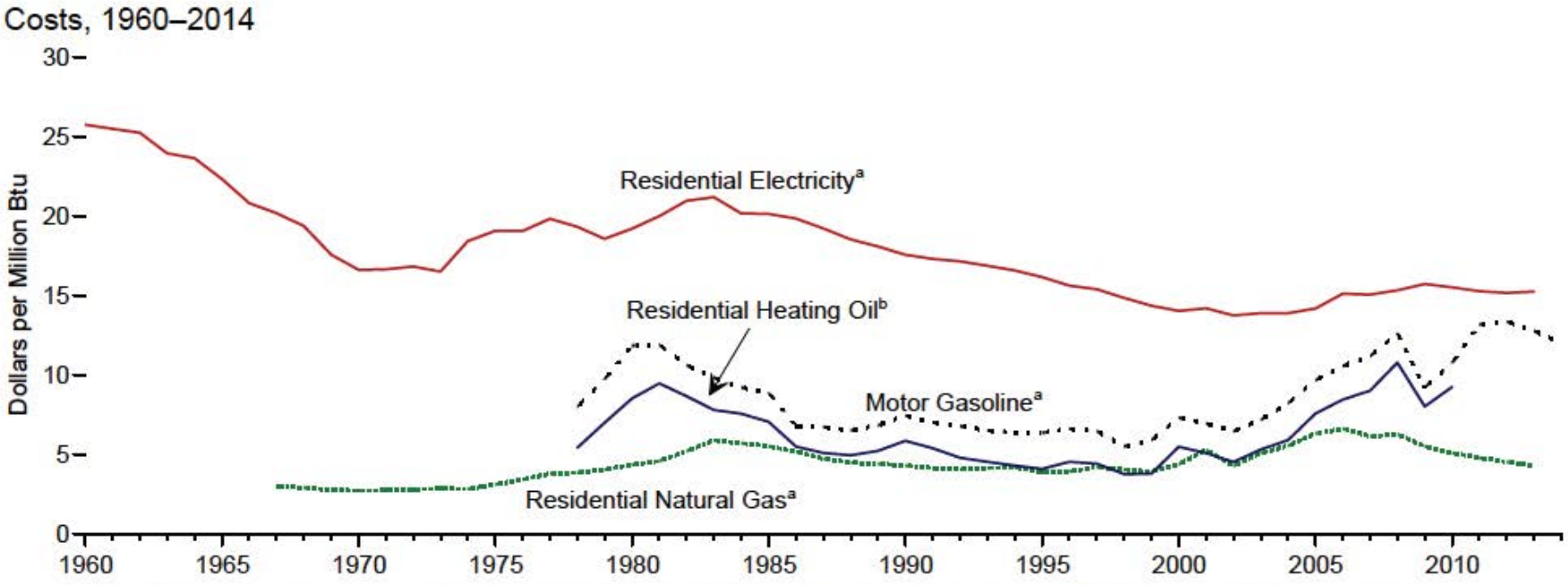
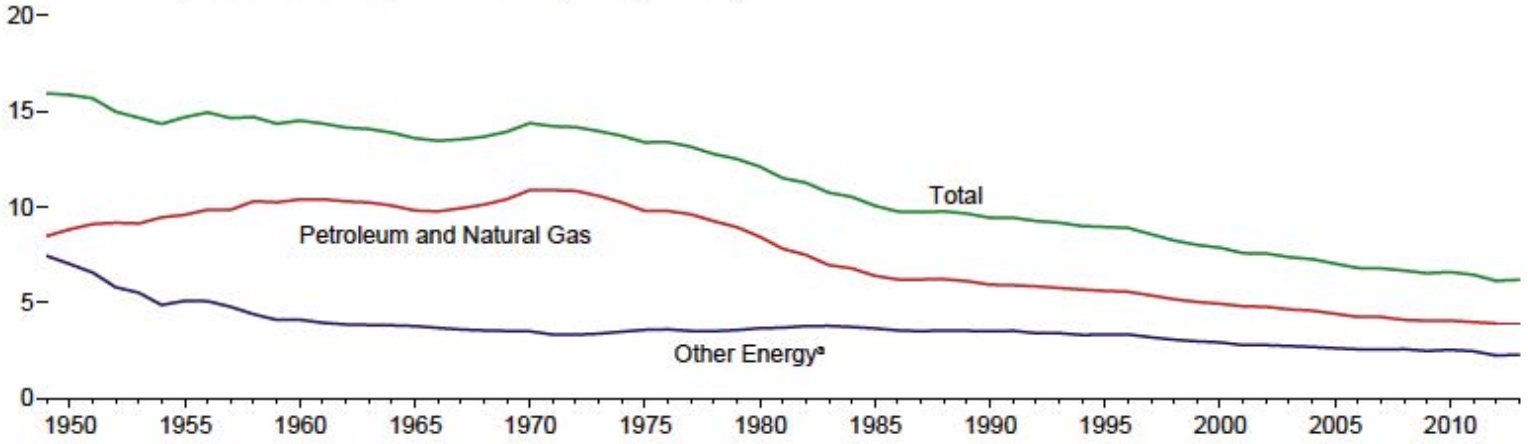
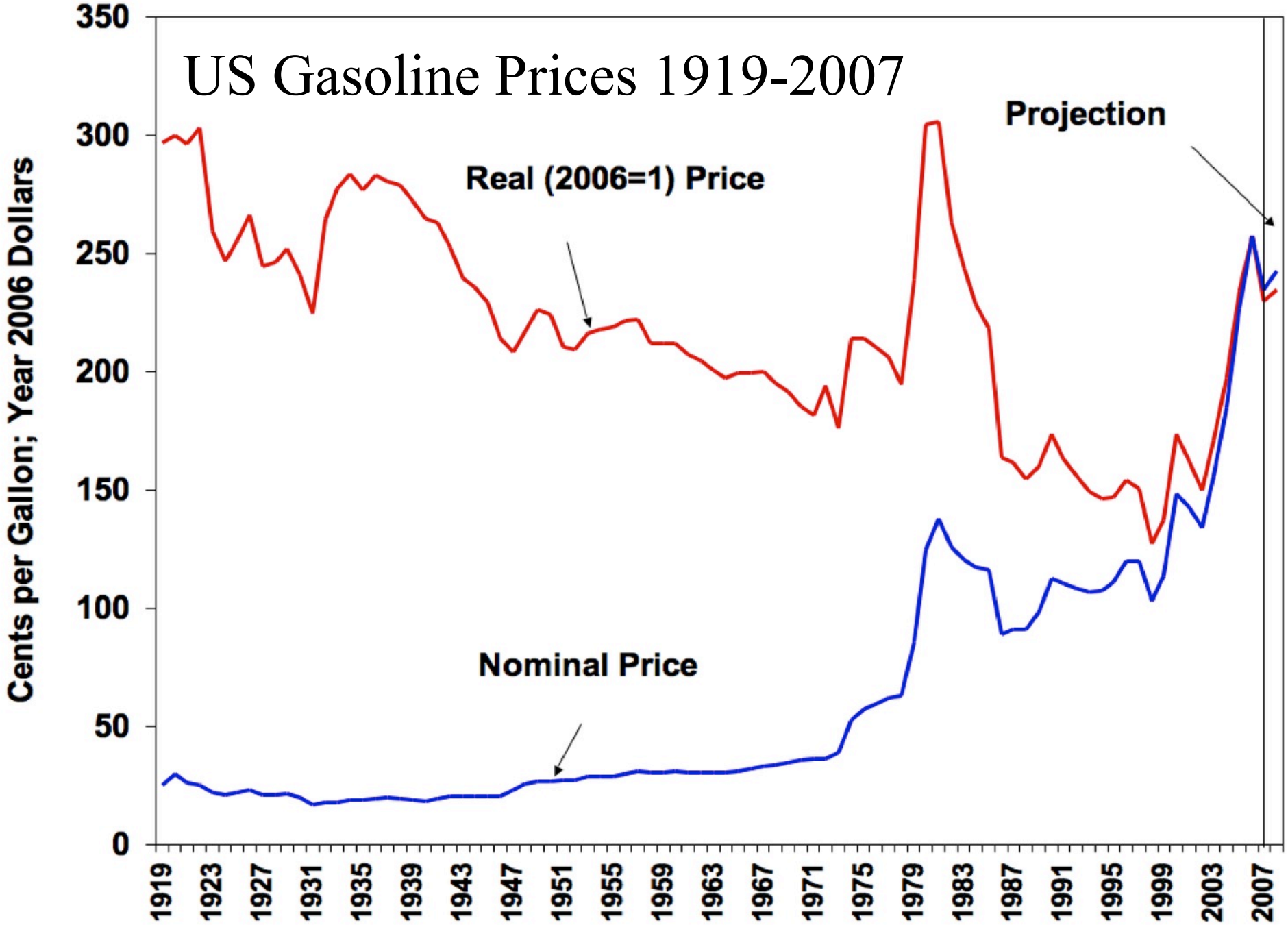


Figure 1.7 Primary Energy Consumption per Real Dollar of Gross Domestic Product, 1949–2013

(Thousand Btu per Chained (2009) Dollar)

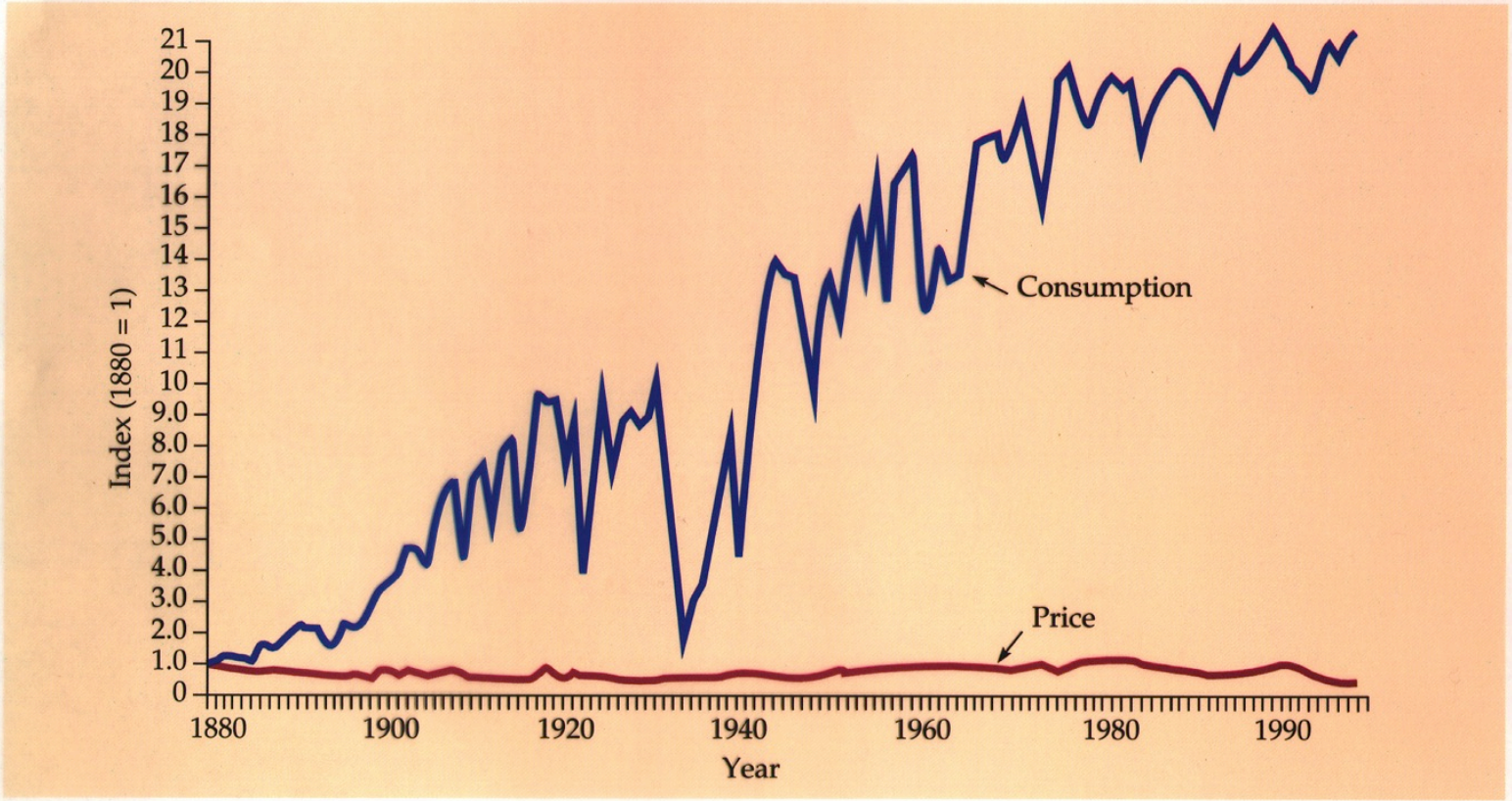


Note: See "Real Dollars" in Glossary.
Web Page: http://www.eia.gov/totalenergy/data/monthly/#summary.
Source: Table 1.7.


US Gasoline Prices 1919-2007
Projection
Real (2006=1) Price
Nominal Price
Cents per Gallon; Year 2006 Dollars
350
300
250
200
150
100
50
0
1919
1923
1927
1931
1935
1939
1943
1947
1951
1955
1959
1963
1967
1971
1975
1979
1983
1987
1991
1995
1999
2003
2007

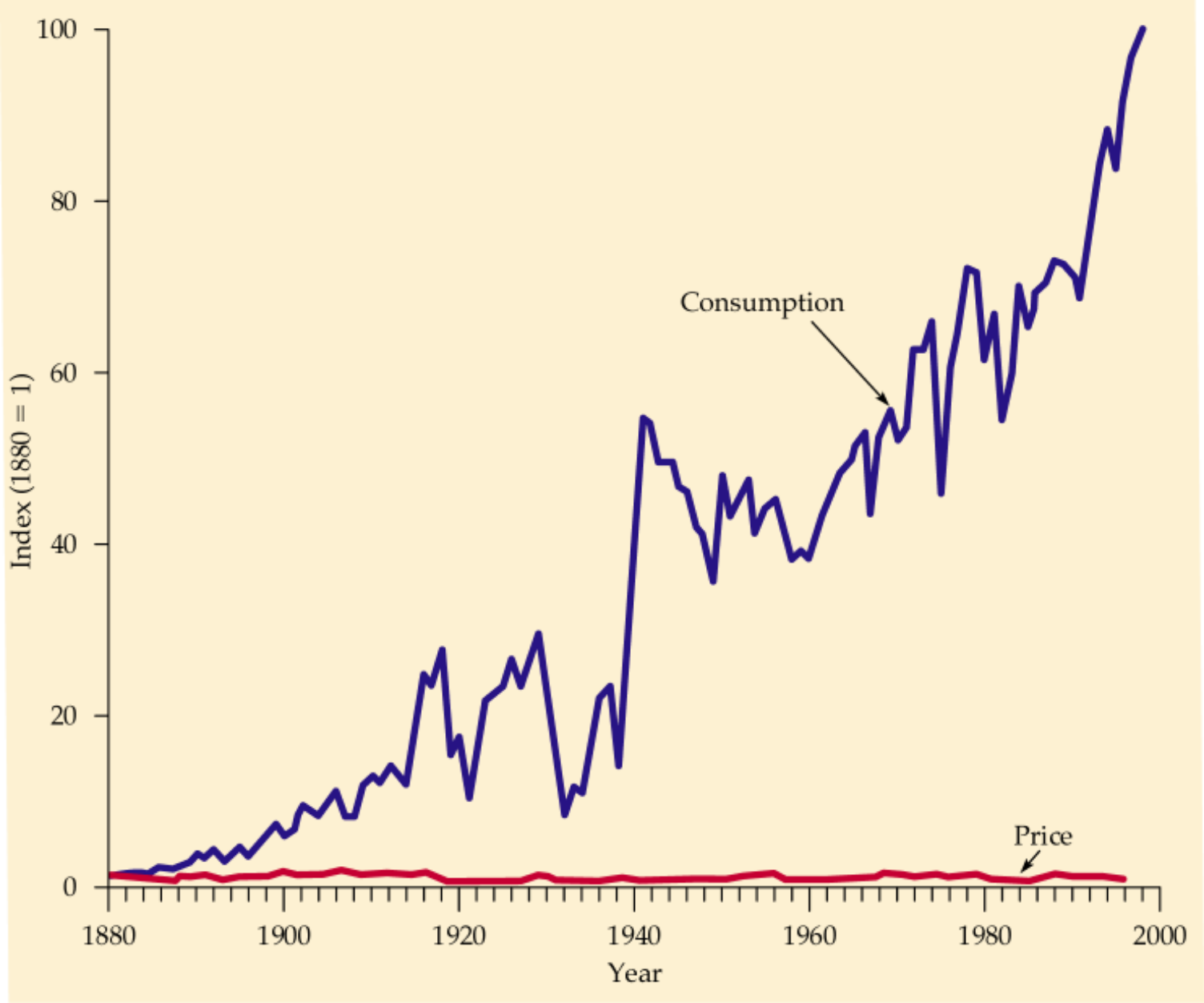
Consumption & Price of Iron 1880-1998

Figure 2.8 Consumption and Price of Iron, 1880-1995



MICROECONOMICS
FOURTH EDITION
by Robert S. Pindyck and Daniel L. Rubinfeld

Consumption & Price of Copper 1880-1998



Price of Gold 1978-2013

Camel Market near Desse, Egypt

http://www.scaiff.ca/lis/Camel%20market%20near%20Desse%201.JPG

Malton Sheep Market, UK

http://www.flickr.com/photos/nickhawkes/2296154165/

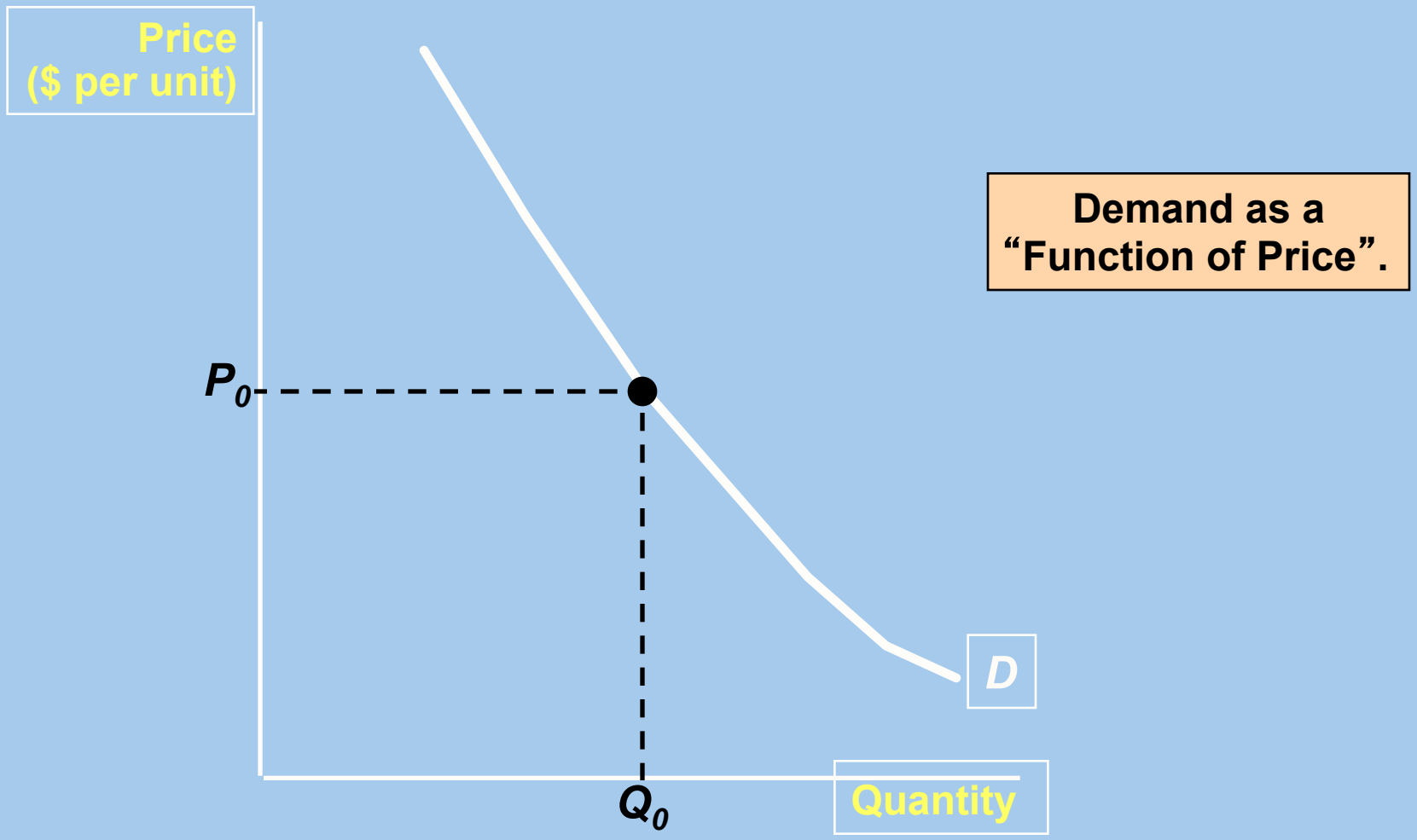
Demand Curve

Shows amount purchased as a function of price

Depends on:

- income
- tastes
- prices of competitive products
- prices of complementary products

The Market Mechanism



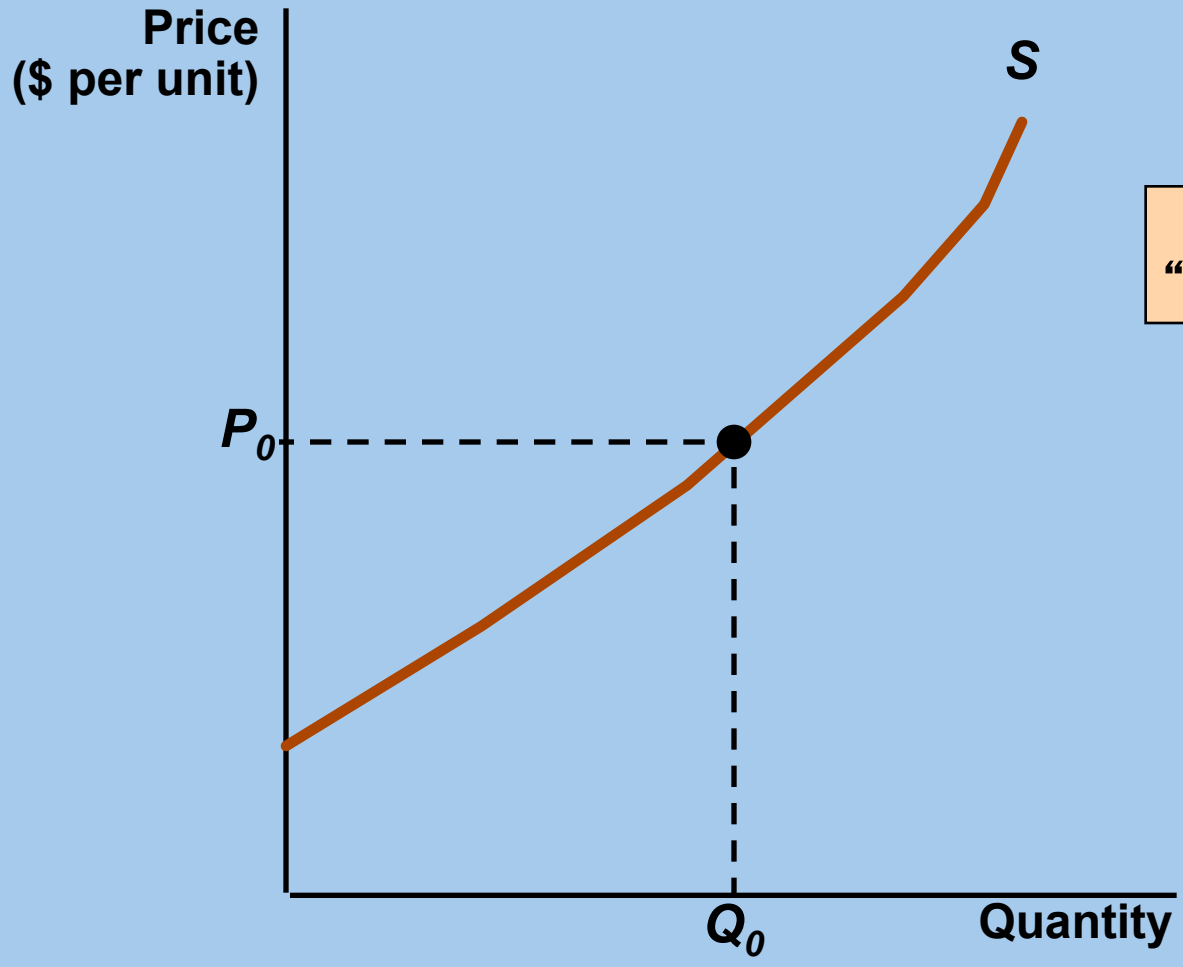
Supply Curve

Amount offered for sale as a function of price

Depends on costs of production, which in turn depend on

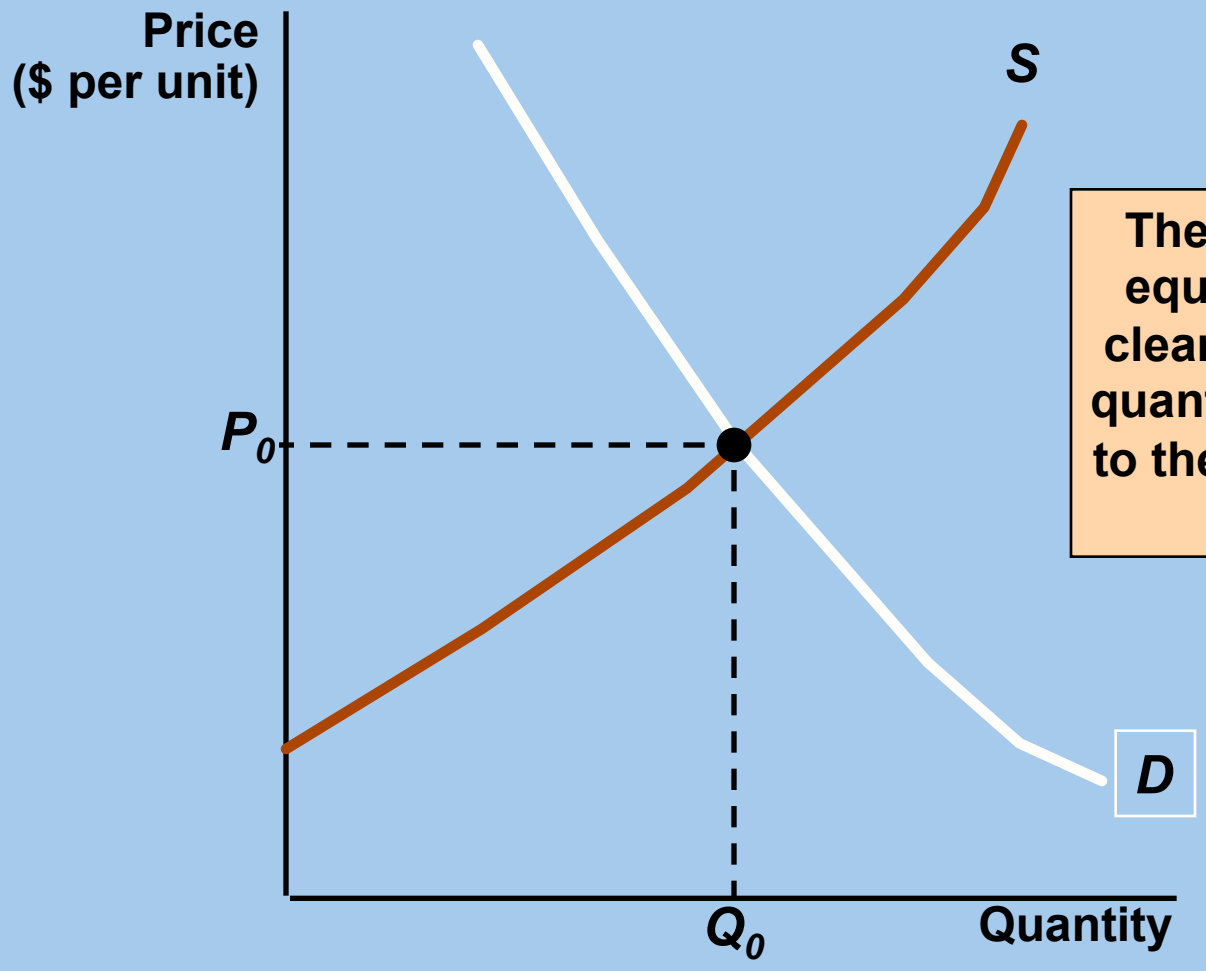
- costs of inputs
- technology

The Market Mechanism



Supply as a
"Function of Price"

The Market Mechanism

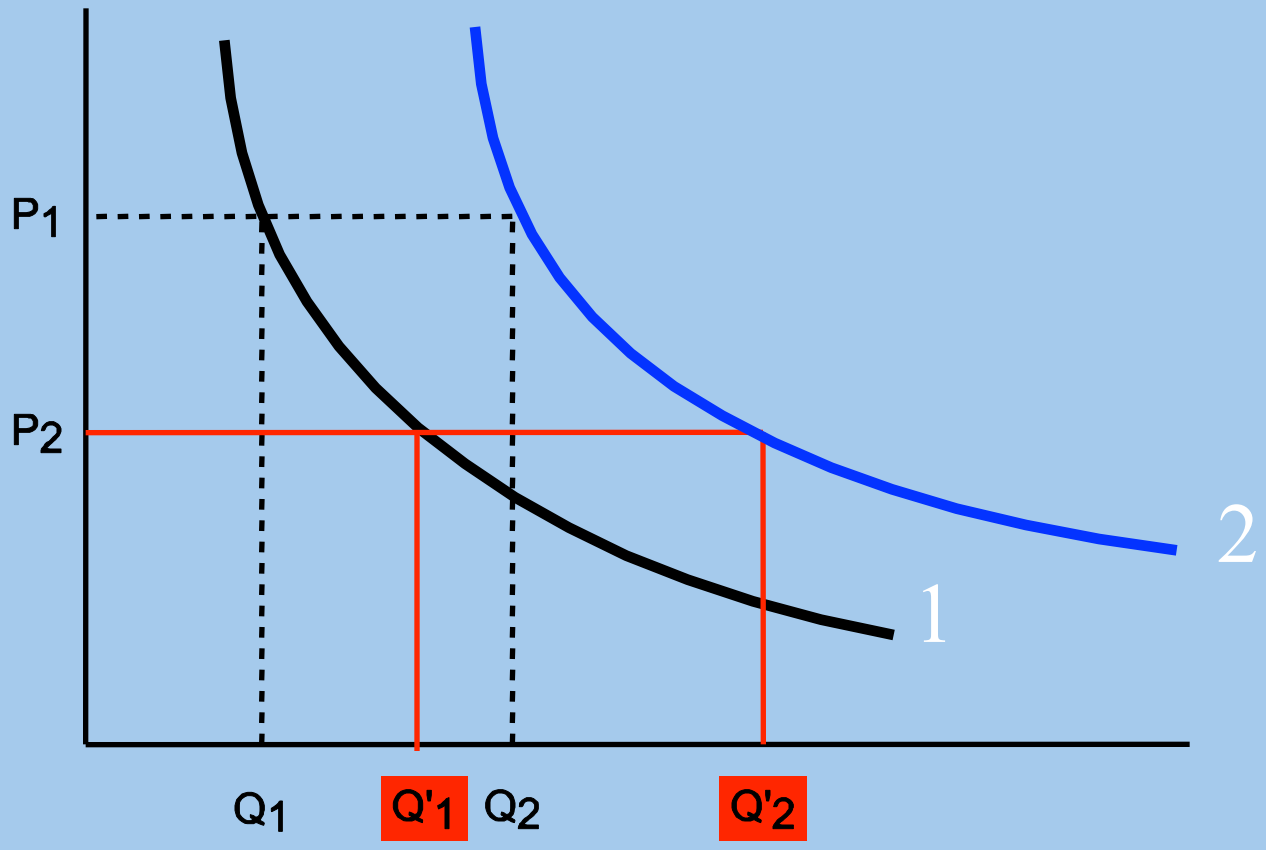


The curves intersect at equilibrium, or market-clearing, price. At P_0 the quantity supplied is equal to the quantity demanded at Q_0 .

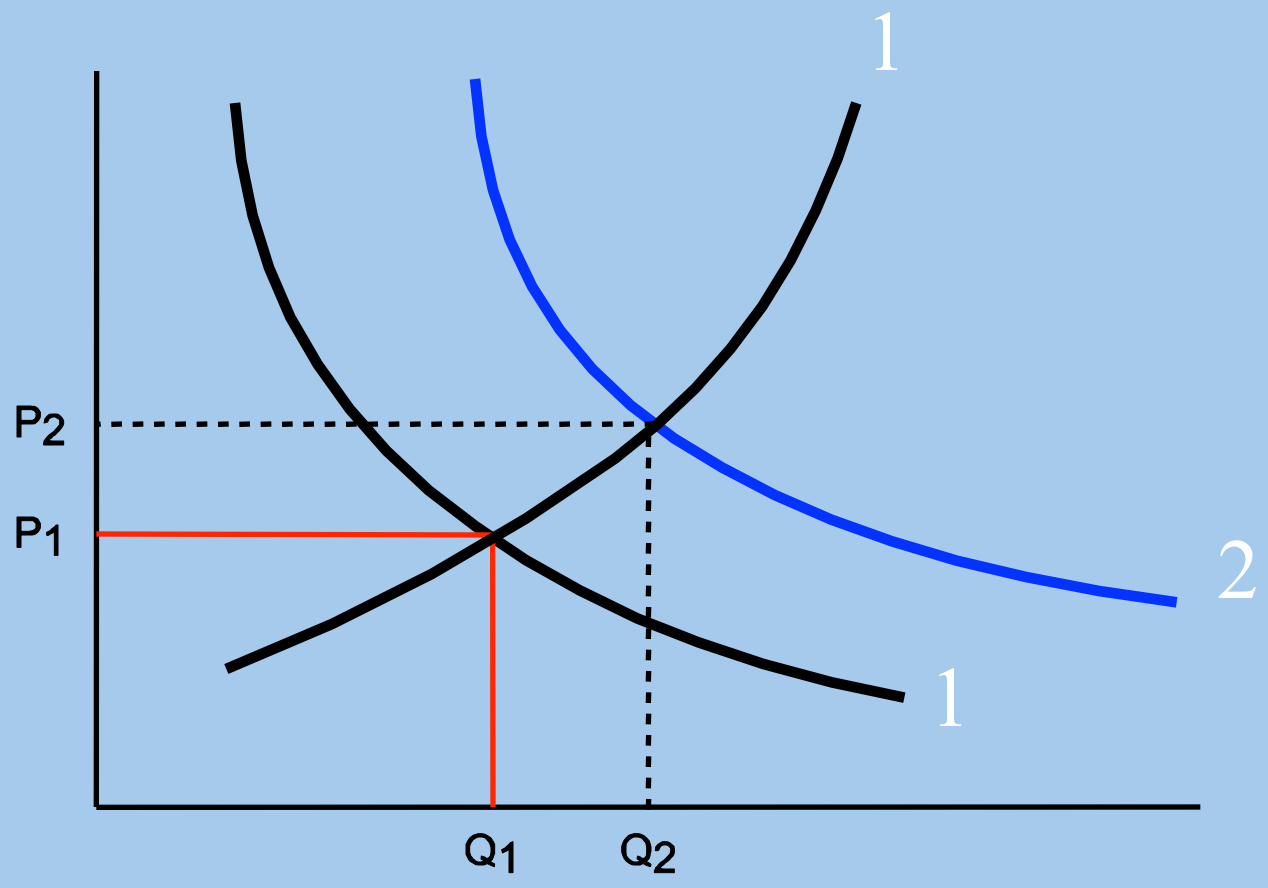
The Market Mechanism

- Characteristics of the equilibrium or market clearing price:
  - $Q_D = Q_S$
  - No shortage
  - No excess supply
  - No pressure on the price to change

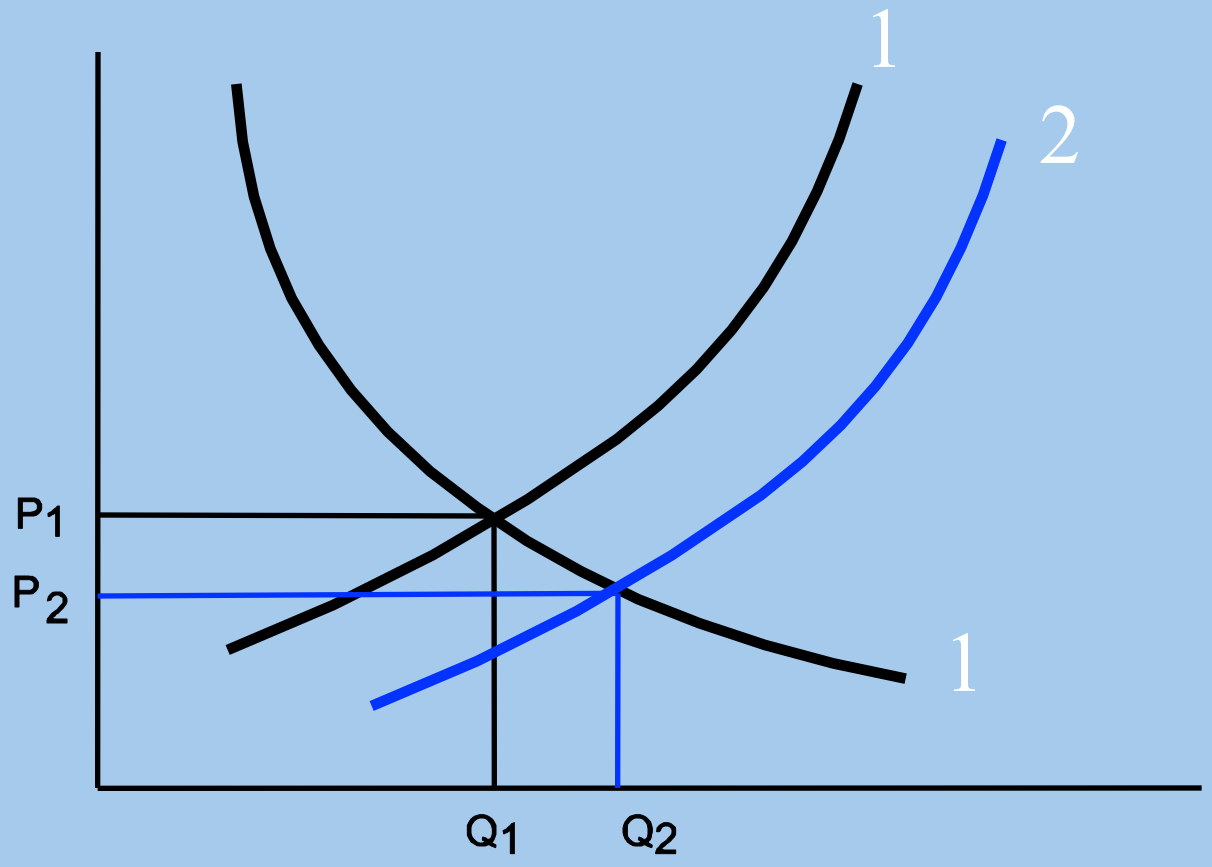
Demand Curve -Income or Population Rises



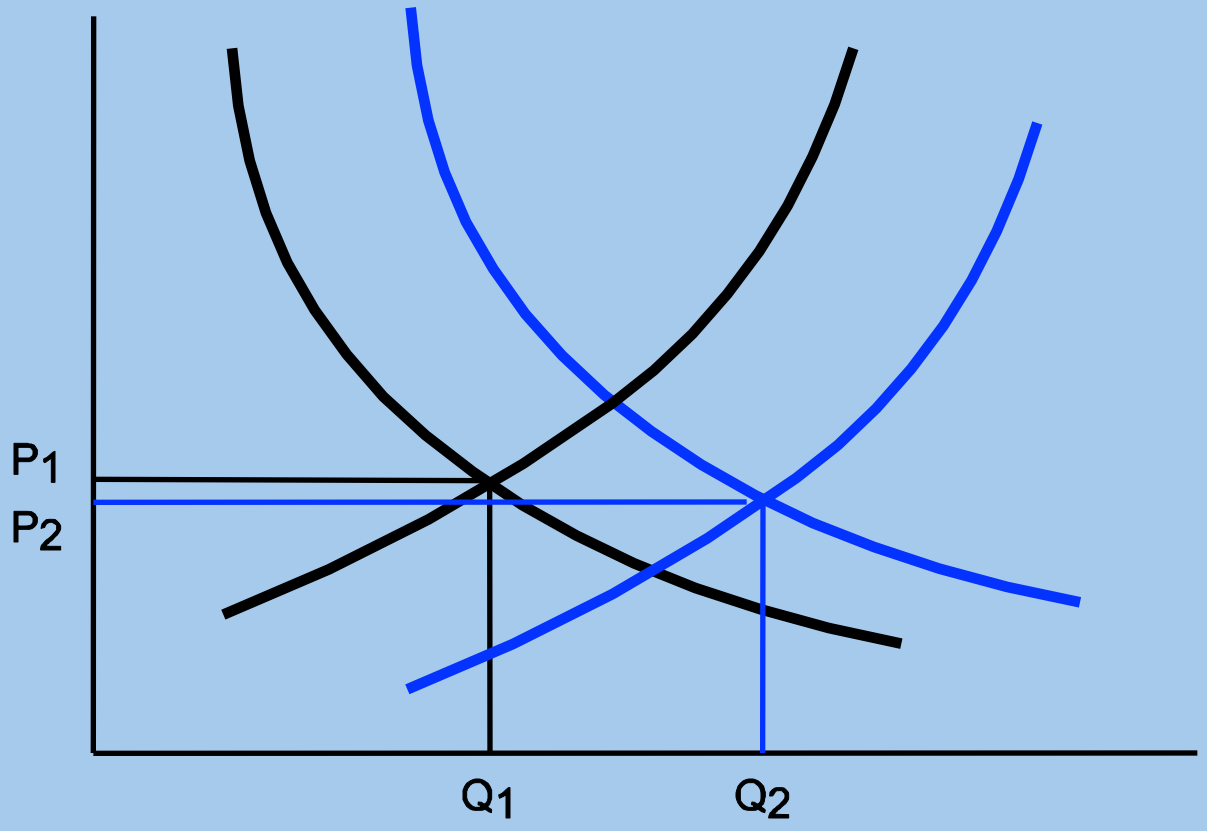
Demand Shifts



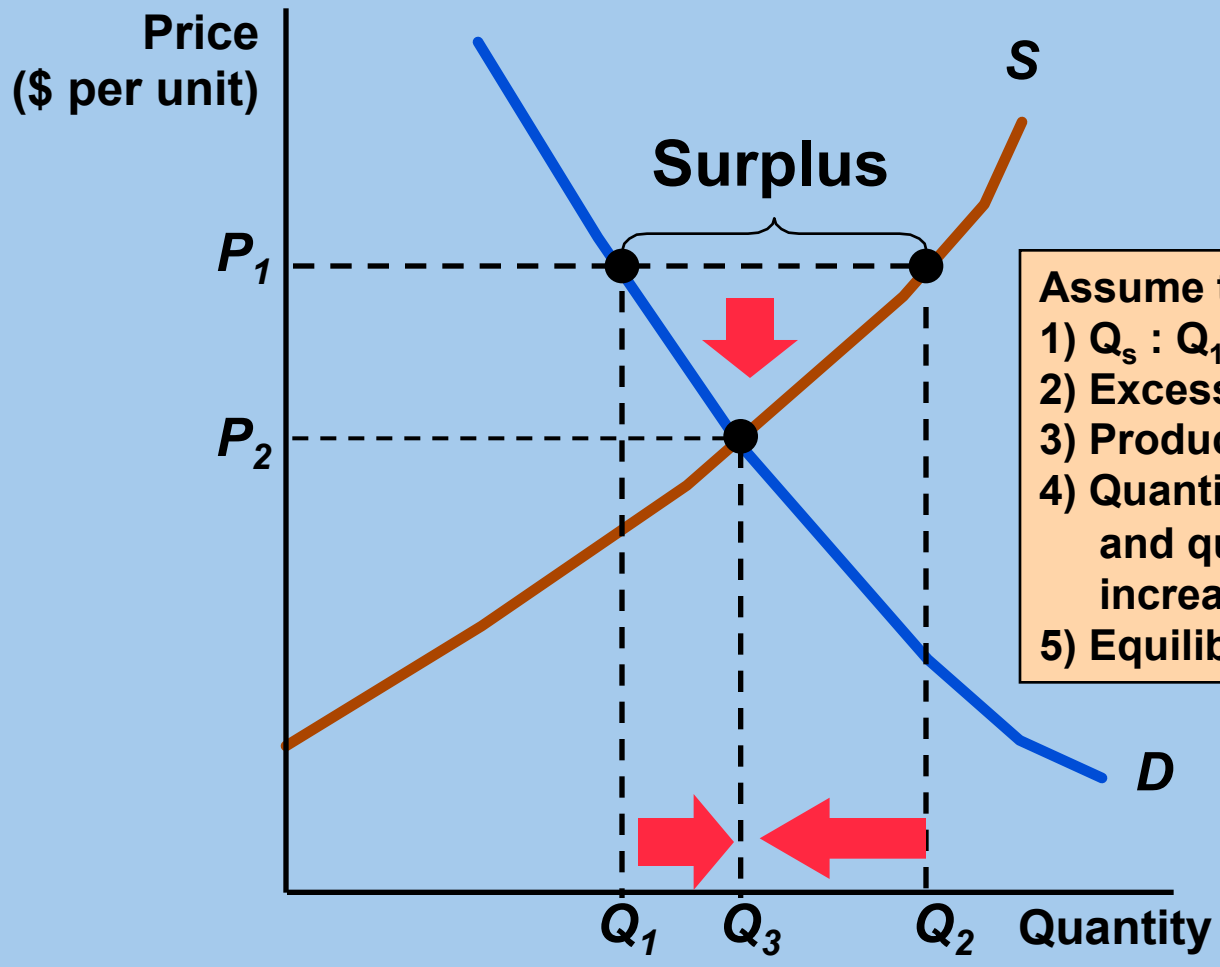
Supply shifts due to new mines . . .



Demand & Supply shift



The Market Mechanism



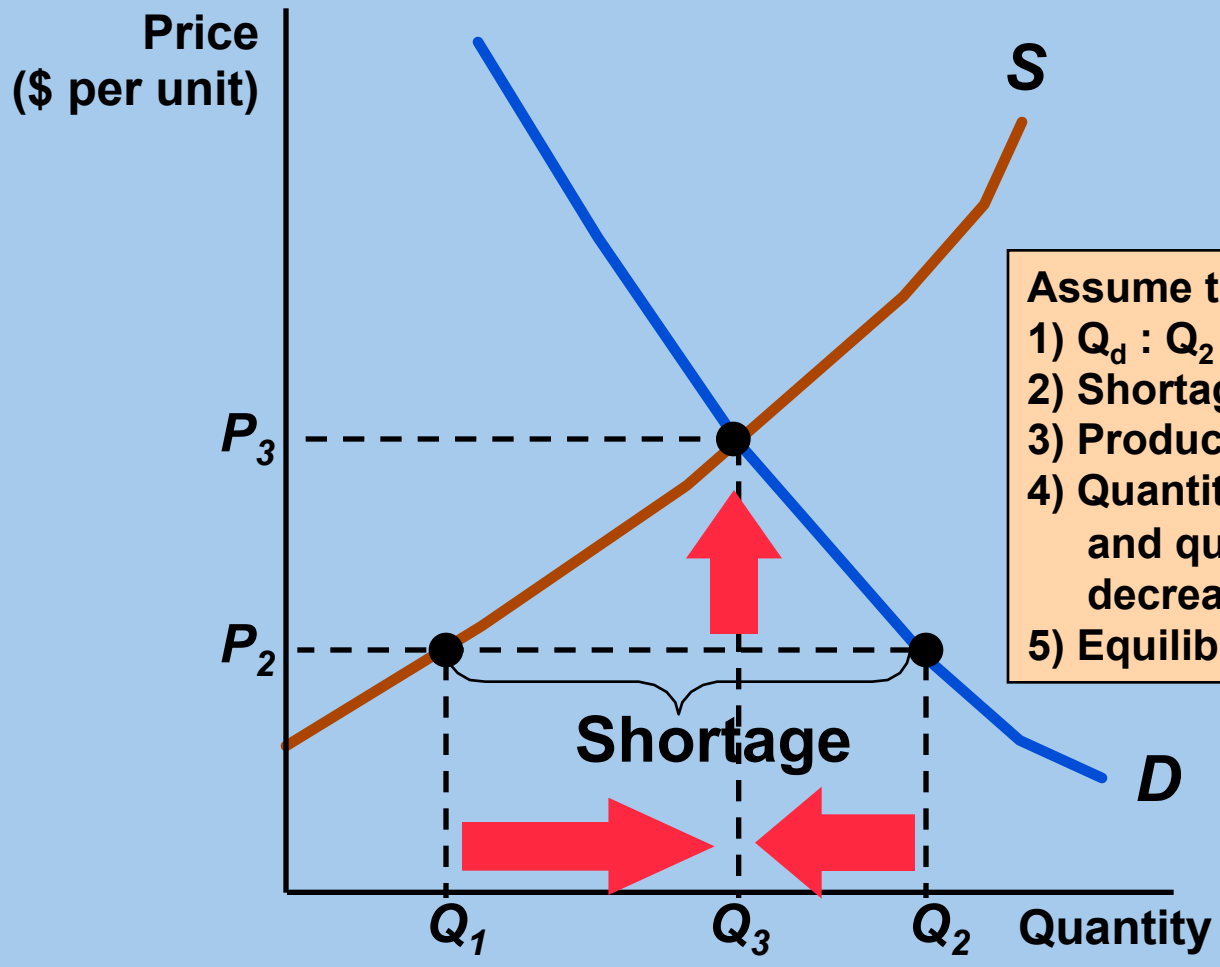
Assume the price is P_1 , then:
1) $Q_s : Q_1 > Q_d : Q_2$
2) Excess supply is Q_1:Q_2.
3) Producers lower price.
4) Quantity supplied decreases and quantity demanded increases.
5) Equilibrium at P_2Q_3

The Market Mechanism

A Surplus

- The market price is above equilibrium
  - There is excess supply
  - Producers lower prices
  - Quantity demanded increases and quantity supplied decreases
  - The market continues to adjust until the equilibrium price is reached.

The Market Mechanism



Assume the price is P_2 , then:

1) $Q_d : Q_2 > Q_s : Q_1$
2) Shortage is Q_1:Q_2.
3) Producers raise price.
4) Quantity supplied increases and quantity demanded decreases.
5) Equilibrium at P_3, Q_3

The Market Mechanism

Shortage

- The market price is below equilibrium:
  - There is a shortage
  - Producers raise prices
  - Quantity demanded decreases and quantity supplied increases
  - The market continues to adjust until the new equilibrium price is reached.

The Market Mechanism

- Market Mechanism - Summary:

  1) Supply and demand interact to determine the market-clearing price.

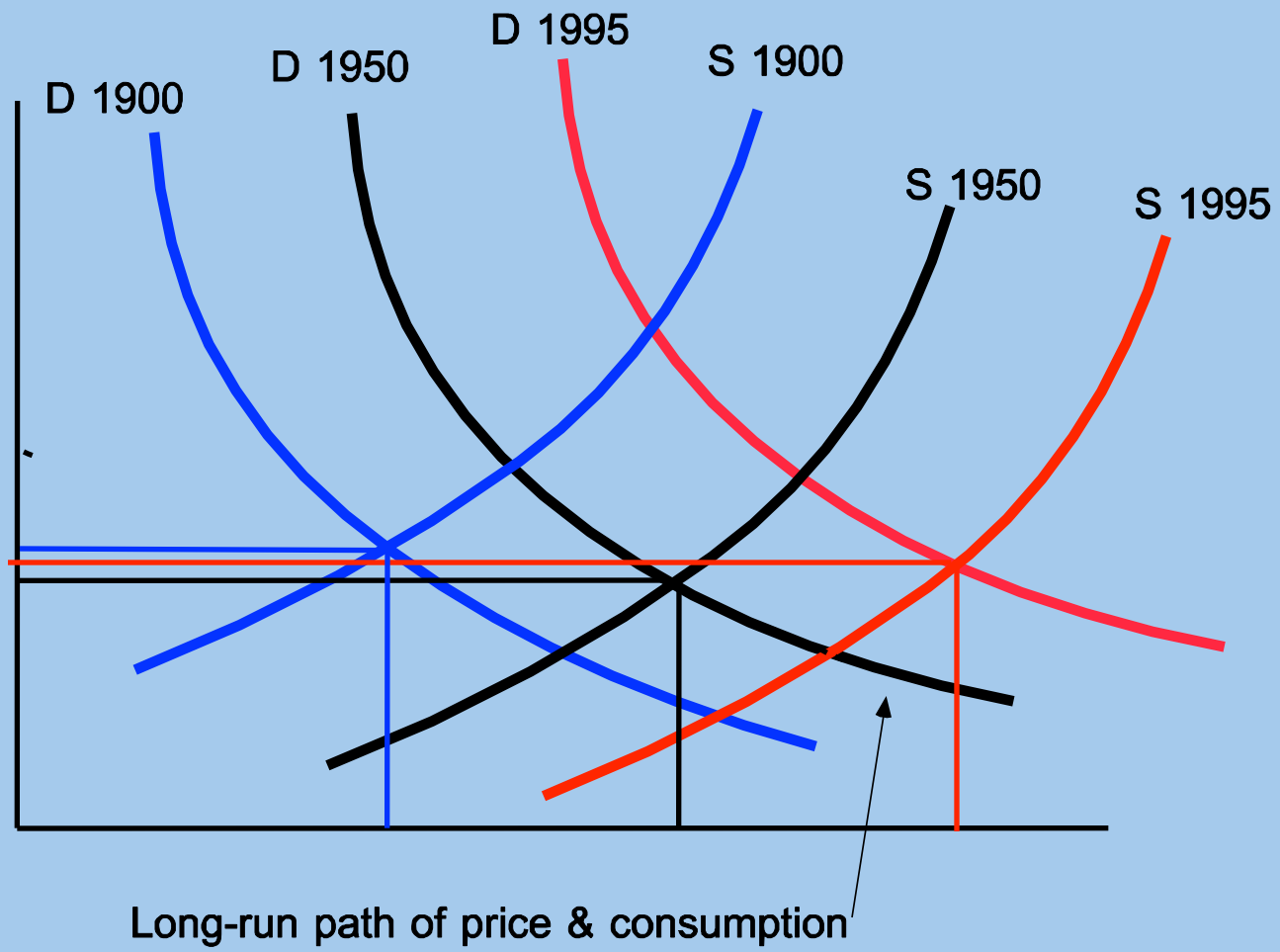
  2) When not in equilibrium, the market will adjust to alleviate a shortage or surplus and return the market to equilibrium.

  3) Markets must be competitive for the mechanism to be efficient.

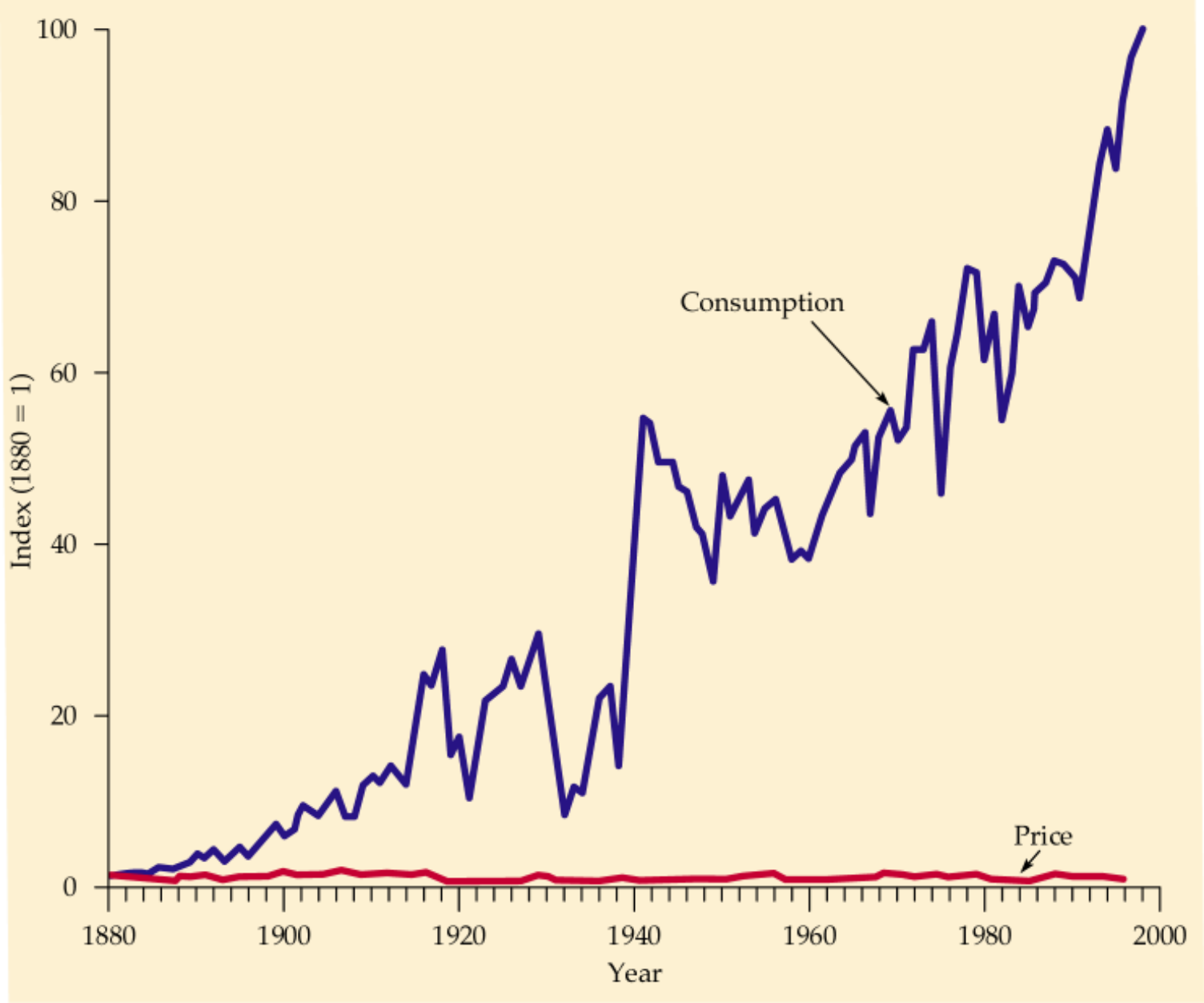
Competitive Market

A competitive market is one in which a large numbers of producers compete with each other to satisfy the wants and needs of a large number of consumers. In a competitive market no single producer, or group of producers, and no single consumer, or group of consumers, **can dictate how the market operates**. Nor can they individually determine the price of goods and services, and how much will be exchanged.

Supply and Demand for Copper 1900-1950-1995



Consumption & Price of Copper 1880-1998

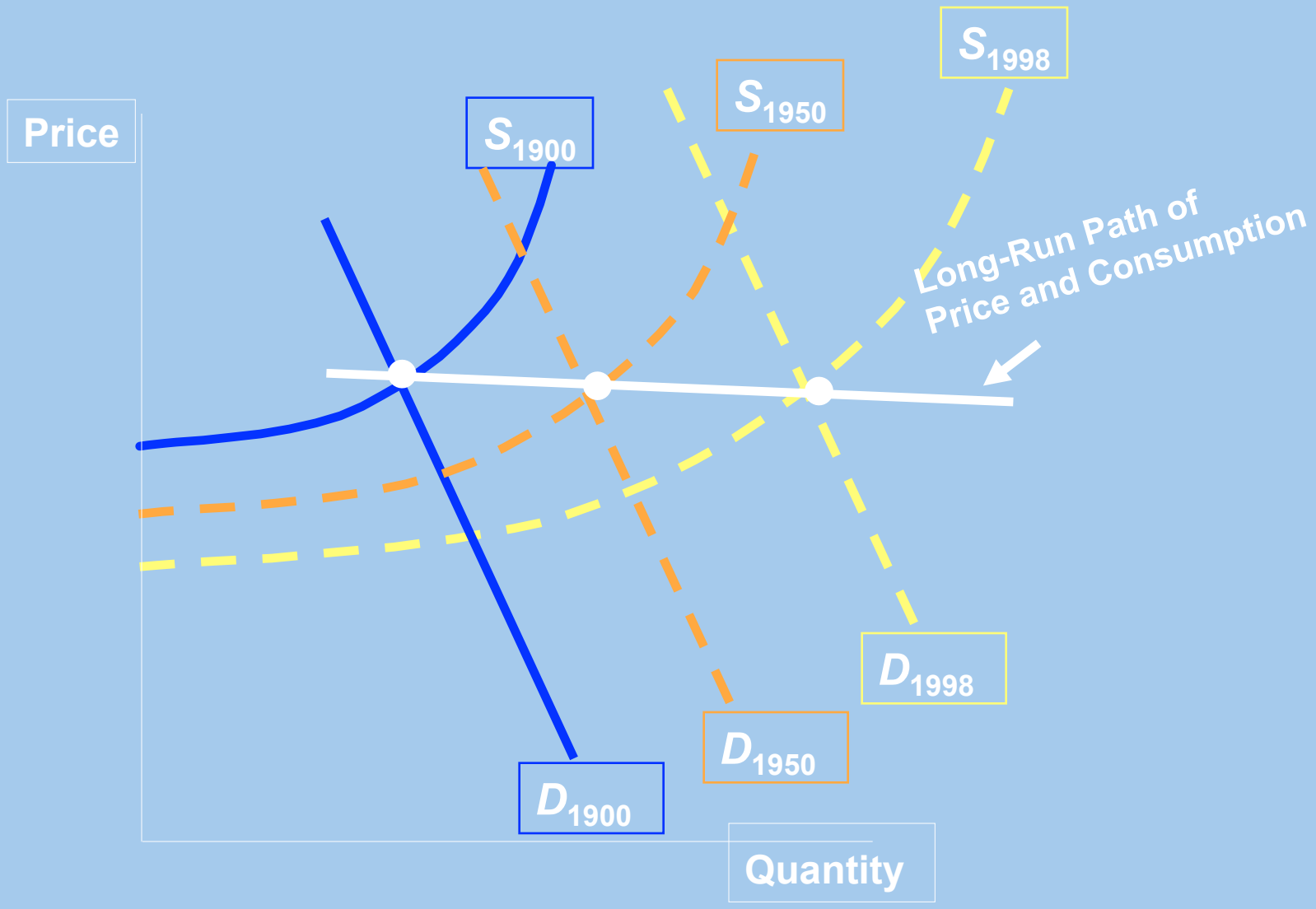


The Long-Run Behavior of Natural Resource Prices

- Observations
  - Consumption of copper has increased about a hundred fold from 1880 through 1998 indicating a large increase in demand.
  - The real price for copper has remained relatively constant.

Modified from Geoffrey Heal 2004

Changes In Market Equilibrium



Modified from Geoffrey Heal 2004

Changes In Market Equilibrium

- Conclusion
  - Decreases in the costs of production have increased the supply by more than enough to offset the increase in demand.

Price elasticity of demand:

Measures responsiveness of demand to price.

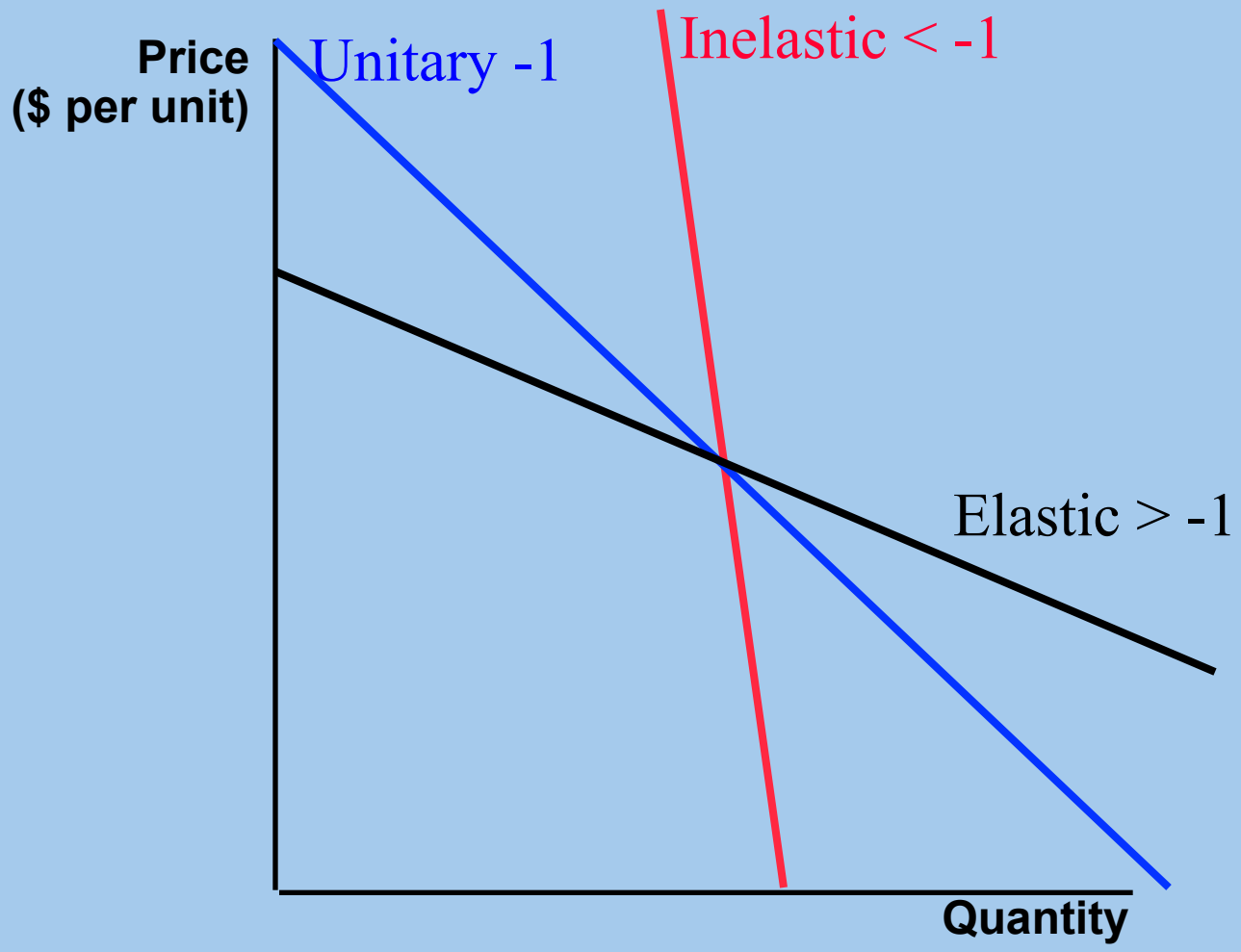
Defined as $E = (\Delta Q/Q)/(\Delta P/P) = (\Delta Q/\Delta P)*(P/Q)$

Why is it defined in proportional terms?

- Unit free.
- Scale sensitive.

A negative number.

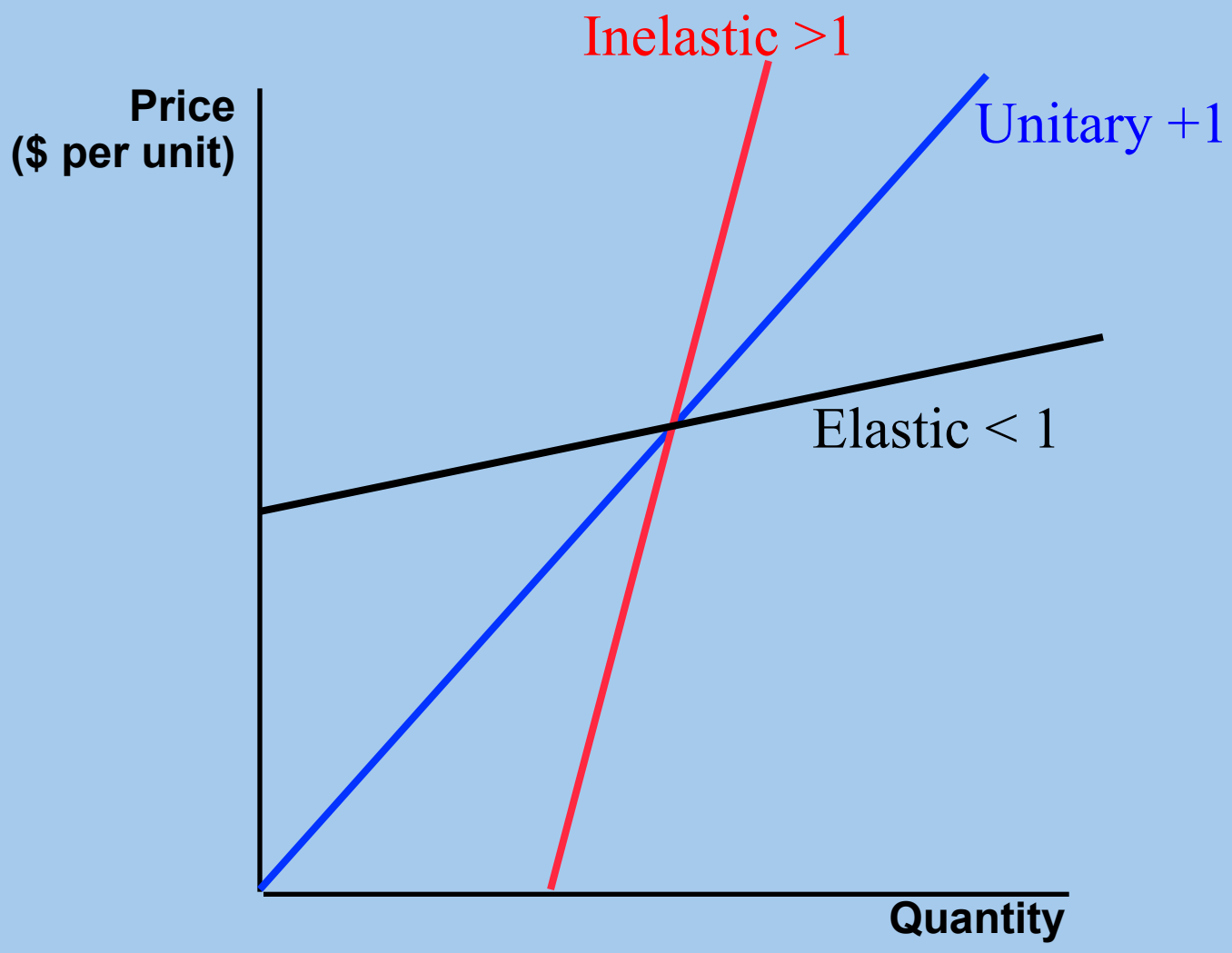
Demand Elasticity



Supply Elasticity

- The responsiveness of supply to price changes.
- $(\Delta S/S)/(\Delta P/P)$, proportional change in supply divided by proportional change in price.
- Usually positive.

Supply Elasticity



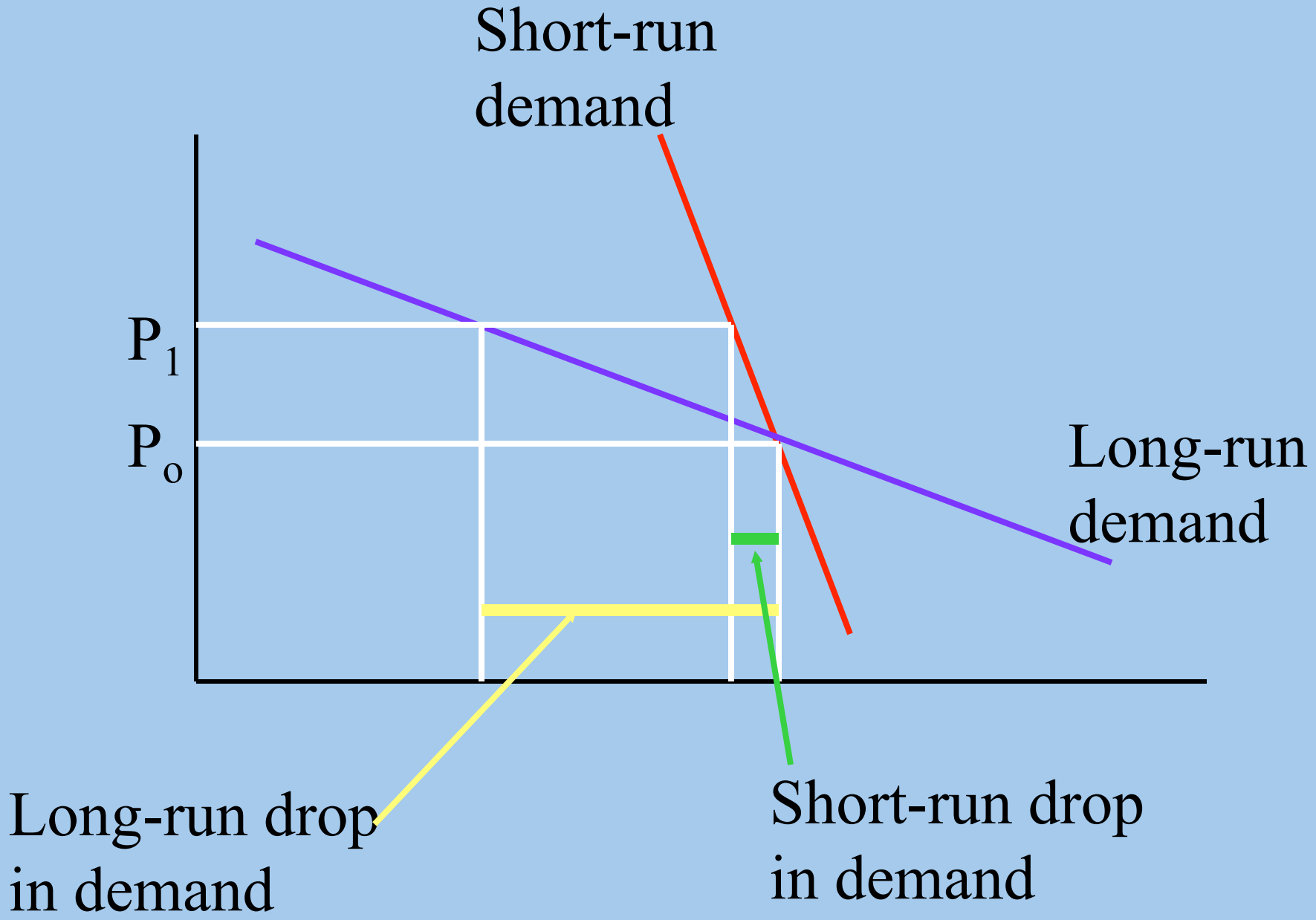
Short-run vs. long-run elasticities

Critical in understanding oil market, energy markets, metal markets

Responding to a price movement takes time - possibly many years

Long-run elasticity measures **total** response

Short-run elasticity measures **immediate** response


Short-run
demand
P_1
P_o
Long-run
demand
Long-run drop
in demand
Short-run drop
in demand

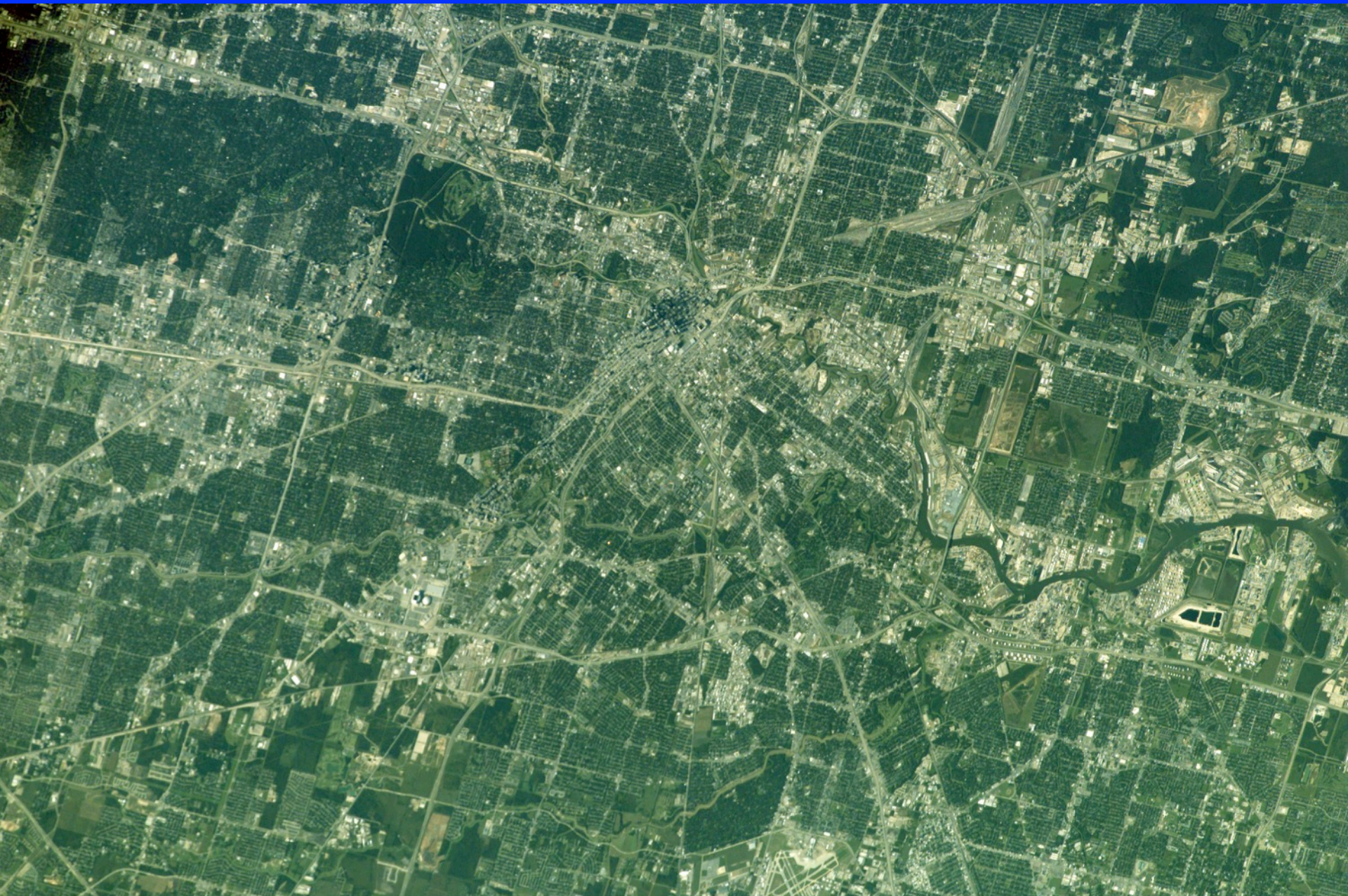
Why is Supply Inelastic in the Short Term?

Why is Supply Inelastic in the Short Term?

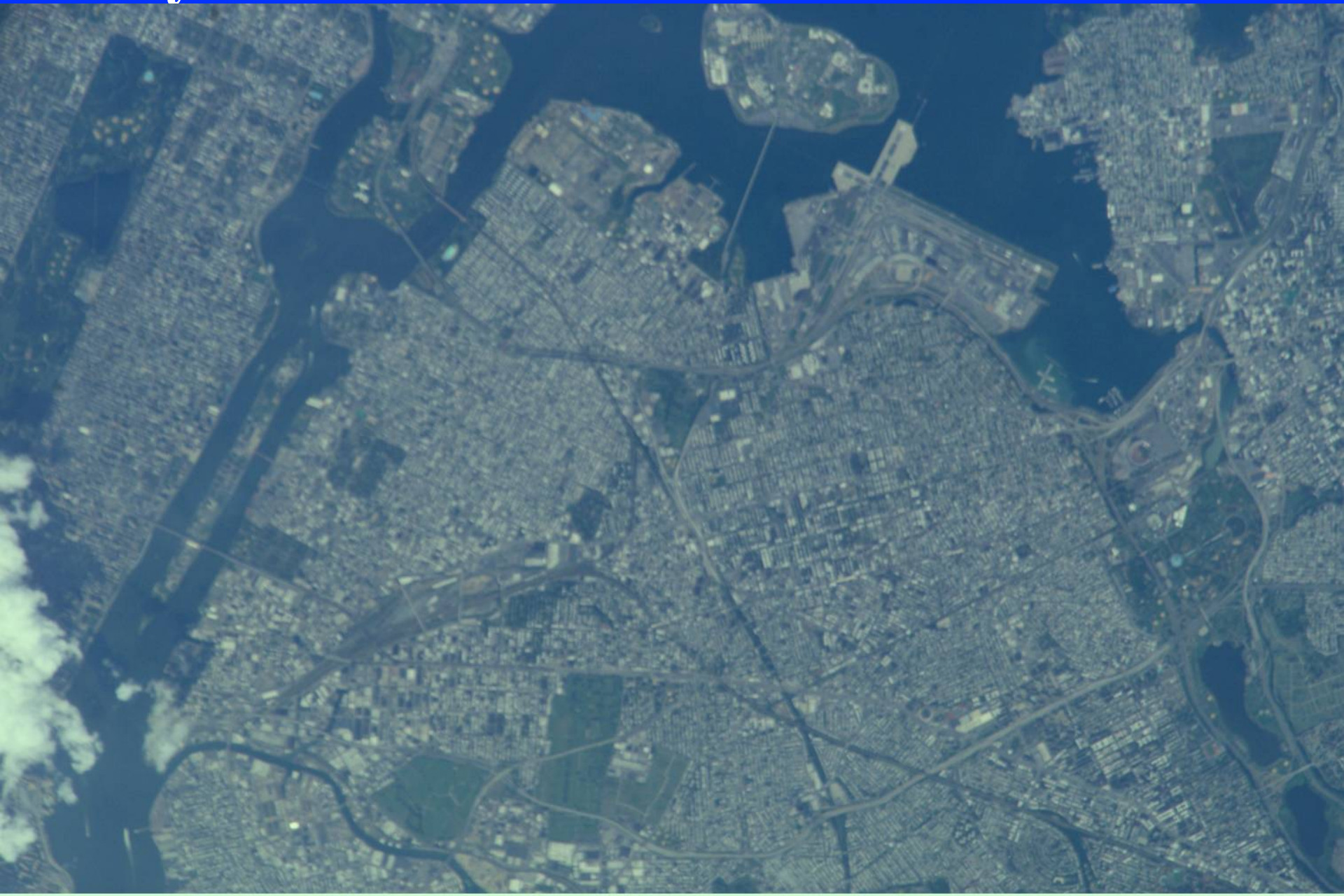
Why is Supply Inelastic in the Short Term?

Why is Supply Inelastic in the Short Term?

Why is Demand Inelastic in the Short Term?



Why is Demand Inelastic in the Short Term?



ISS009E18788

Uses of Elasticity Studies

- market research and pricing policy

- forecasting

Lessons on Demand and Supply

- Formalism of demand and supply curves provides tools for analyzing how various shocks (input costs, customers' income, competitors' prices, etc.) affect own sales and prices.

- Elasticities provide useful summary numbers that feed into these analyses

- Short Run ≠ Long Run. Use numbers appropriate to the time scale of the decision

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