

Market Economy and Public Policy

Lecture by

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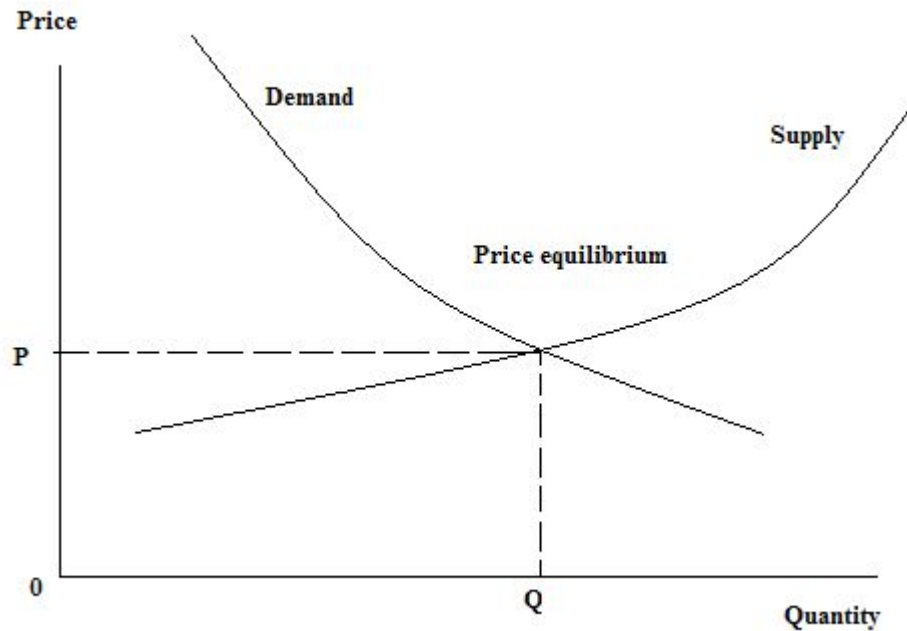
Kyoto University's Doctor of Science

Harvard University's Master in Public Administration

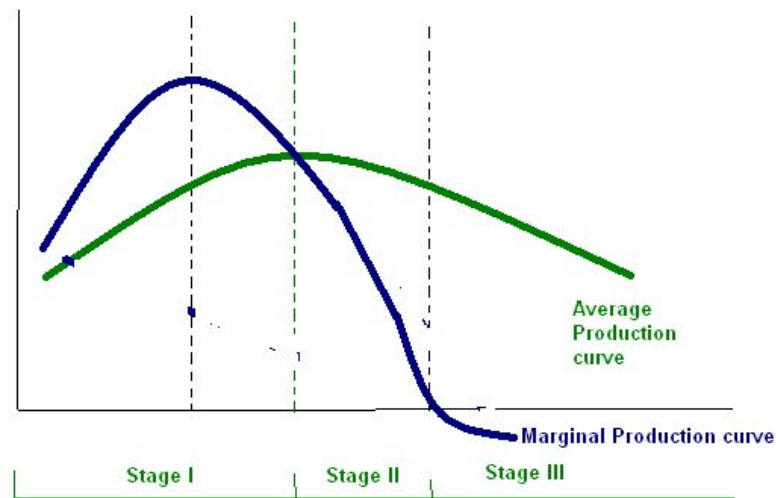
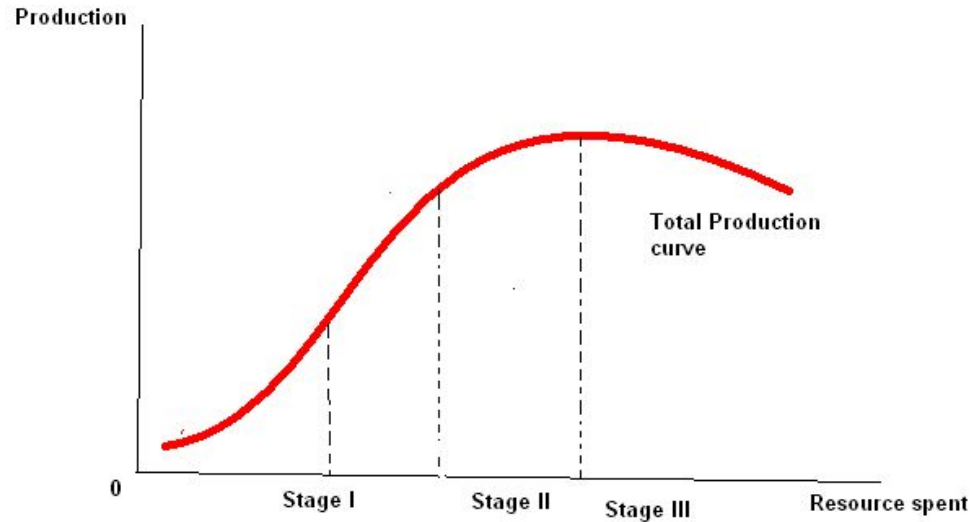
How is price made?

Why it is changed?

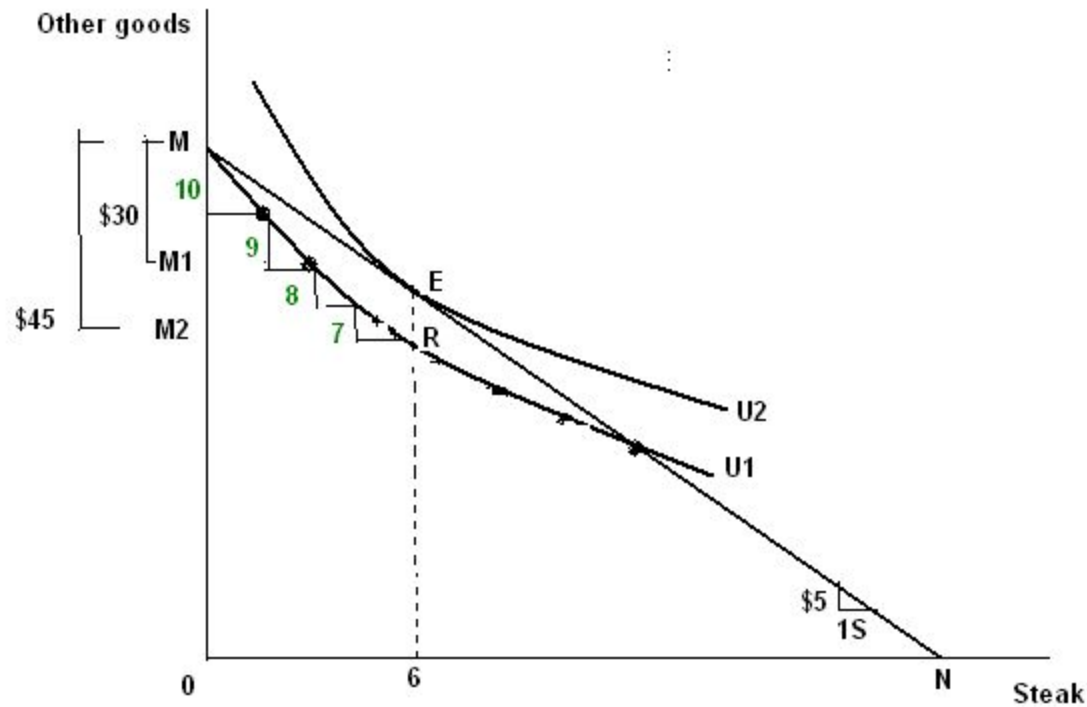
- In competitive market



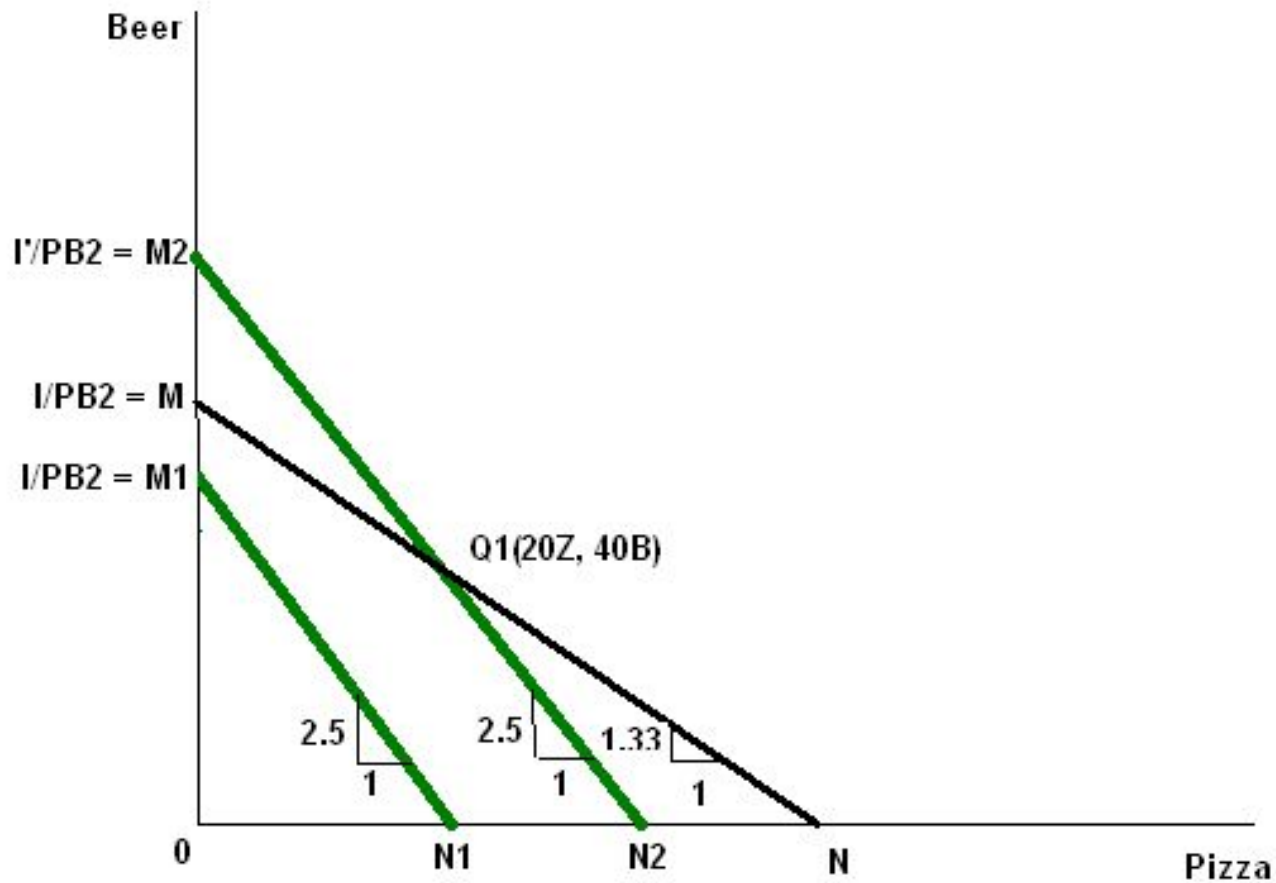
How is production cost calculated?



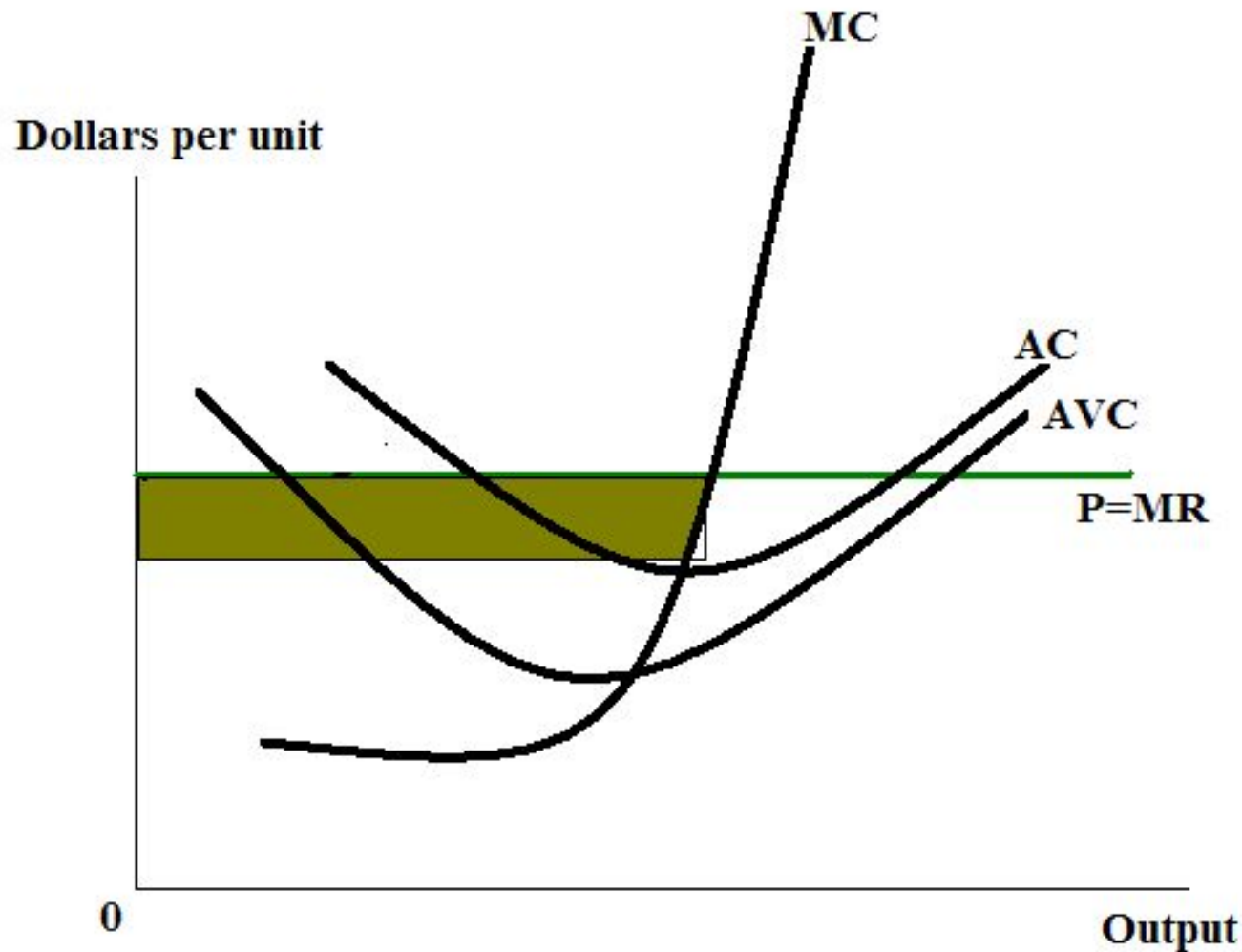
How is market demand measured?



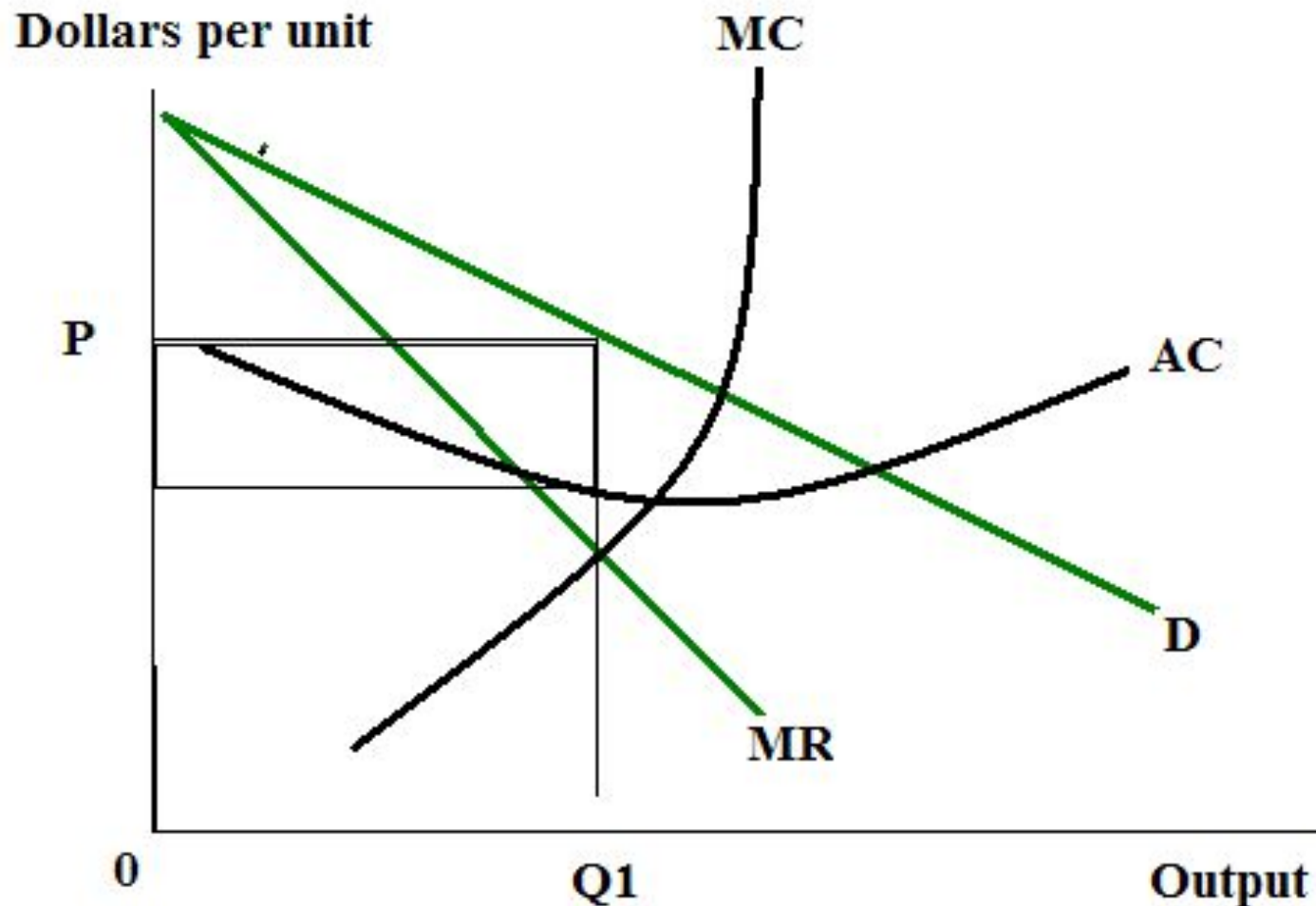
Price index



How a company set the price in competitive market?

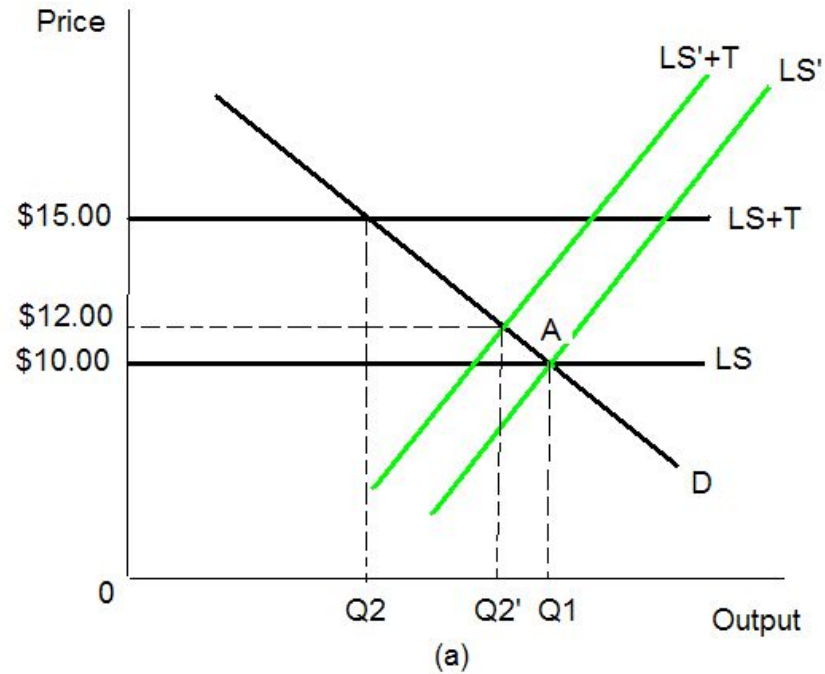
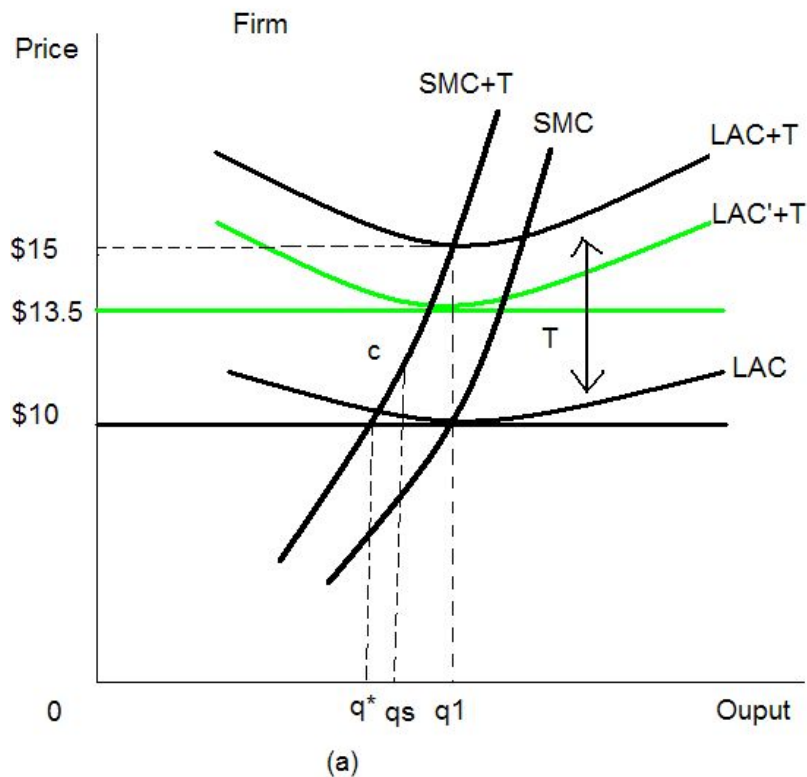


How a company set price in a market, with no competitor?

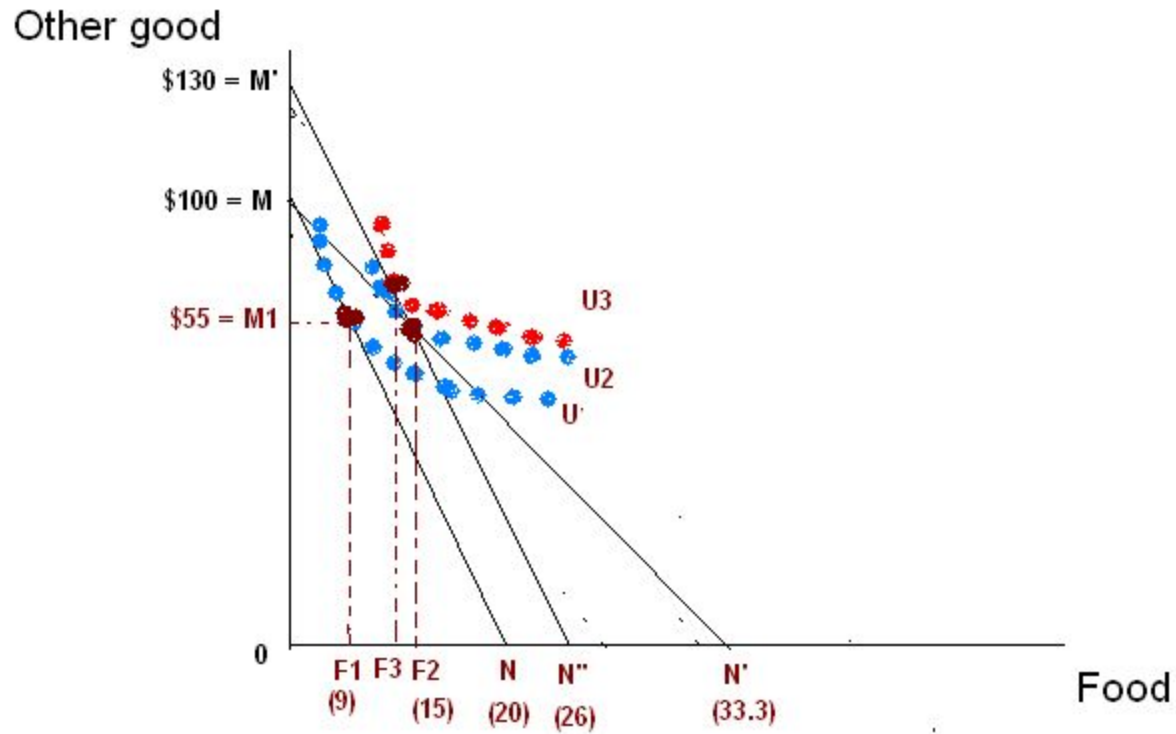


How does government set tax price (\$)

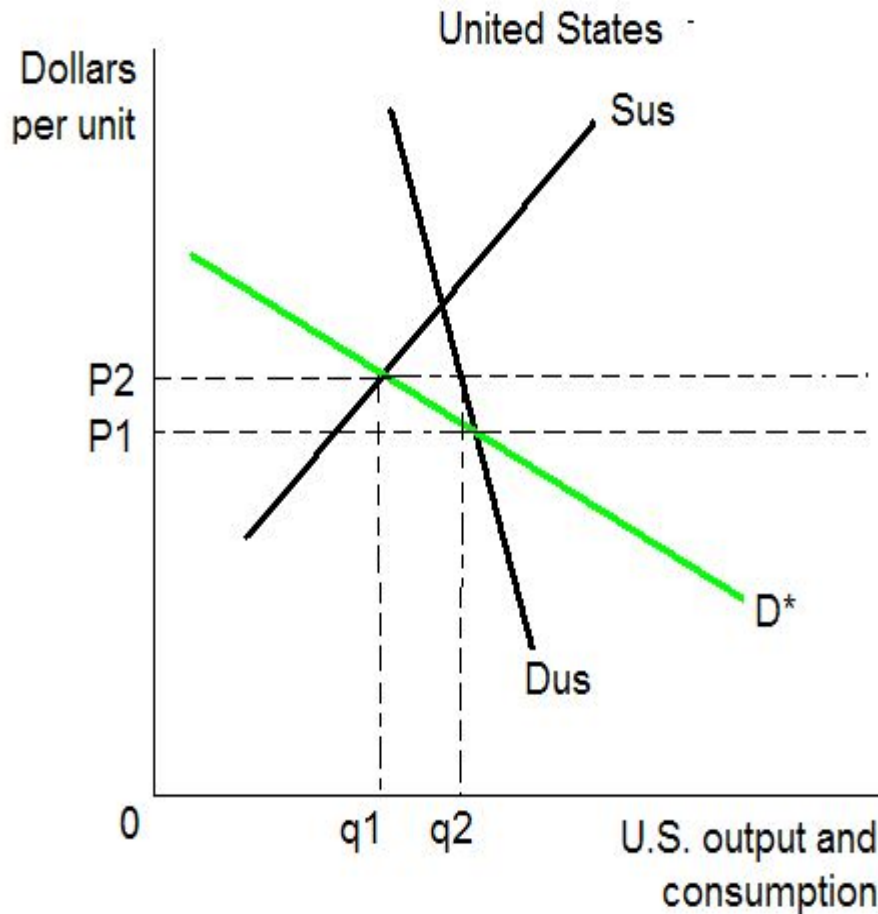
on various market product?



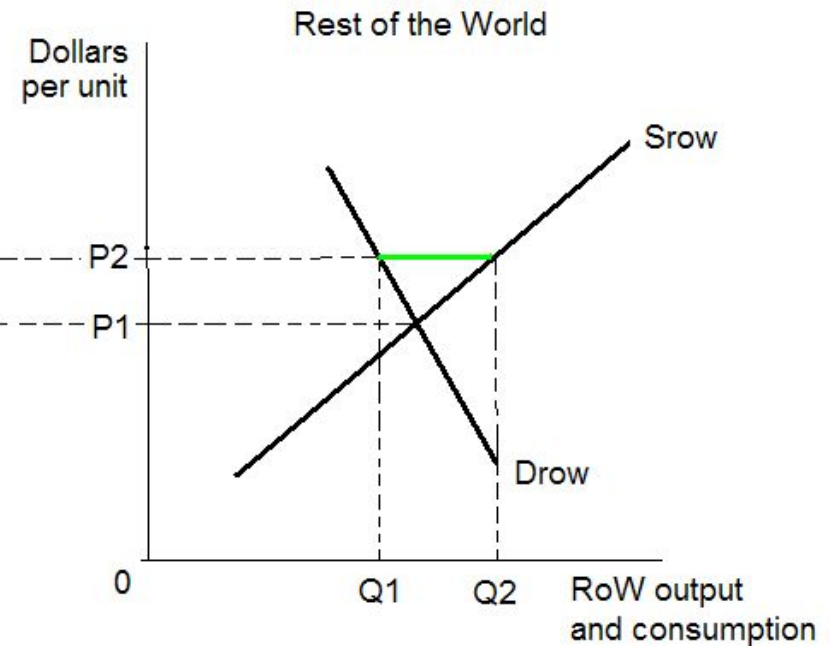
Subsidy



Why does food price inside country increase when it is exported to the other country?

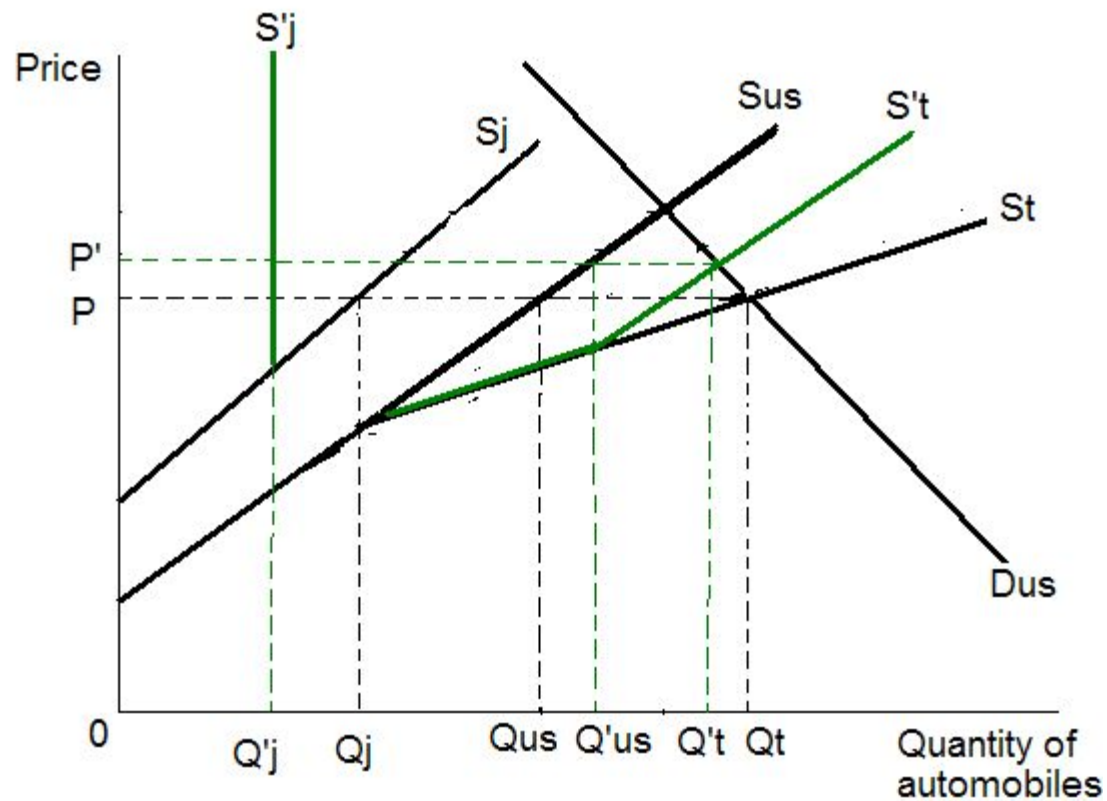


(a)



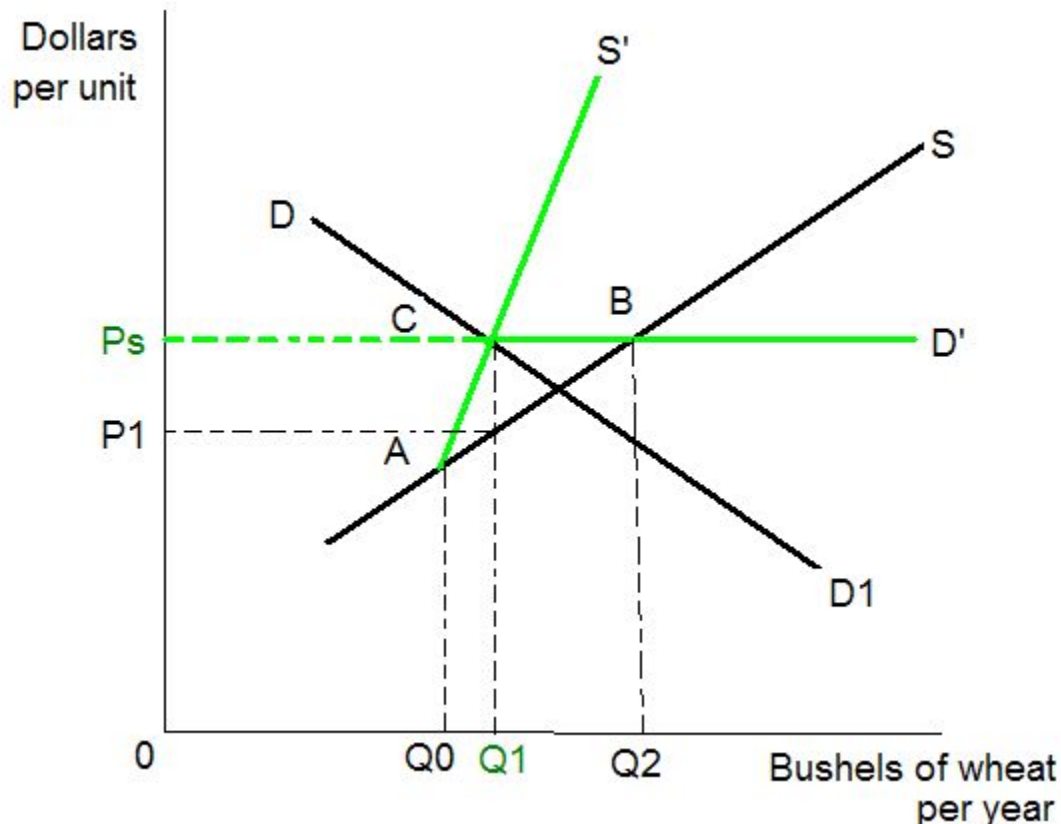
(b)

Automobile Import quota

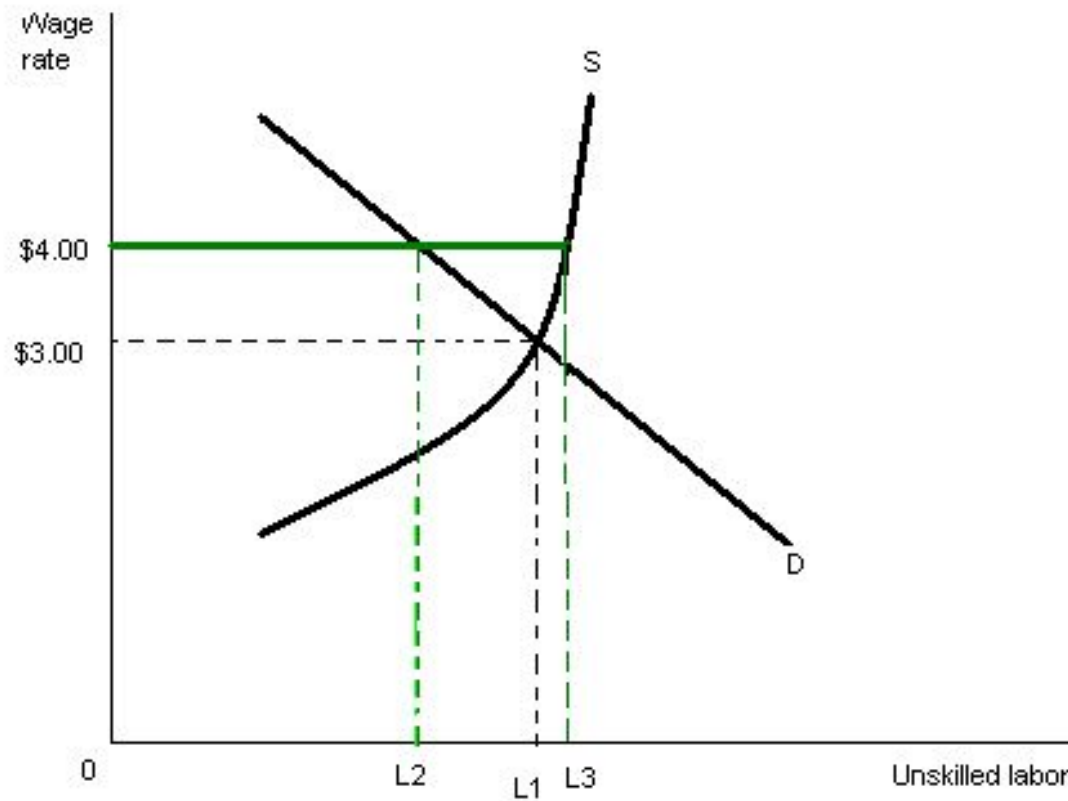


Why does government need to regulate monopoly?

How government regulate agriculture



Minimum wage policy



Homework

The supply and demand for apples

Demand

Supply

| Price for pound | Quantity demanded per Year | Price per pound | Quantity supplied per year |
|-----------------|----------------------------|-----------------|----------------------------|
| \$0.90 | 100000 | \$0.60 | 100000 |
| 0.80 | 110000 | 0.70 | 120000 |
| 0.70 | 120000 | 0.80 | 140000 |
| 0.60 | 135000 | 0.90 | 150000 |

What is the market equilibrium price and quantity?

Homework 2

- Translate the following words to Ukrainian:
 - Market demand
 - Consumer choice
 - Cost, marginal cost
 - Price equilibrium
 - Consumer price index, production price index
 - Competitive market, competitive industry
 - Monopoly, oligopoly
 - Excise tax, excise subsidy

Use graphs to answer the following questions.

- a. What is the market equilibrium price and quantity?
- b. The government agrees to purchase as many pounds of apples as growers will sell to it at a price of \$0.80. How much will the government purchase how much will consumers purchase, and how much will be produced?
- c. Suppose the government policy in part b remains in effect, but consumer demand increases by 10 percent (consumers will purchase 10 percent more at each price than they did before). What will be the effects on total apple output, purchases by consumers, purchase by government, and the price of apples?