

Microeconomics

Consider a wheat market in which a demand function for wheat is given by

$$P = a - bX,$$

where P is a price of wheat consumers face, X is a quantity of wheat demanded, and both a and b are positive parameters.

The cost function for producing wheat is the same for all producers. It is given by

$$C(q) = q^2 + f,$$

where q is the quantity of wheat produced by a producer and f is a positive parameter.

1. What is the marginal and average costs of producing wheat for a producer?
2. Draw the marginal and average cost curves for a producer.
3. Draw the supply function for a producer who is a price taker.
4. For a price taking producer, how much is the price elasticity of demand?
5. Suppose the number of producers is n . Derive an industry supply curve for this wheat market.
6. Draw the long-run industry supply curve for this wheat market.
7. Calculate the long-run equilibrium price and quantity of wheat traded in this market.
8. How many wheat producers (or firms) enter the market in the long-run equilibrium?
9. Suppose that there is only one producer (a monopolist producer), in this wheat market. Calculate revenue function for this monopolist producer.
10. Calculate price elasticity of demand for this monopolist producer.
11. State the profit maximization condition for this monopolist producer.
12. Calculate the equilibrium price and quantity of wheat under this monopoly.

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Read the essay “Gauging the Impact of the Great Recession” written by Kevin J. Lansing and answer the questions below.

1. Translate first four paragraphs into Japanese.
2. How did the author quantify the amount of foregone consumption expenditures during the Great Recession?

<http://www.frbsf.org/economic-research/publications/economic-letter/2011/july/impact-great-recession/>