

Economics 2: Spring 2014

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<http://delong.typepad.com/sdj/econ-2-spring-2014/>

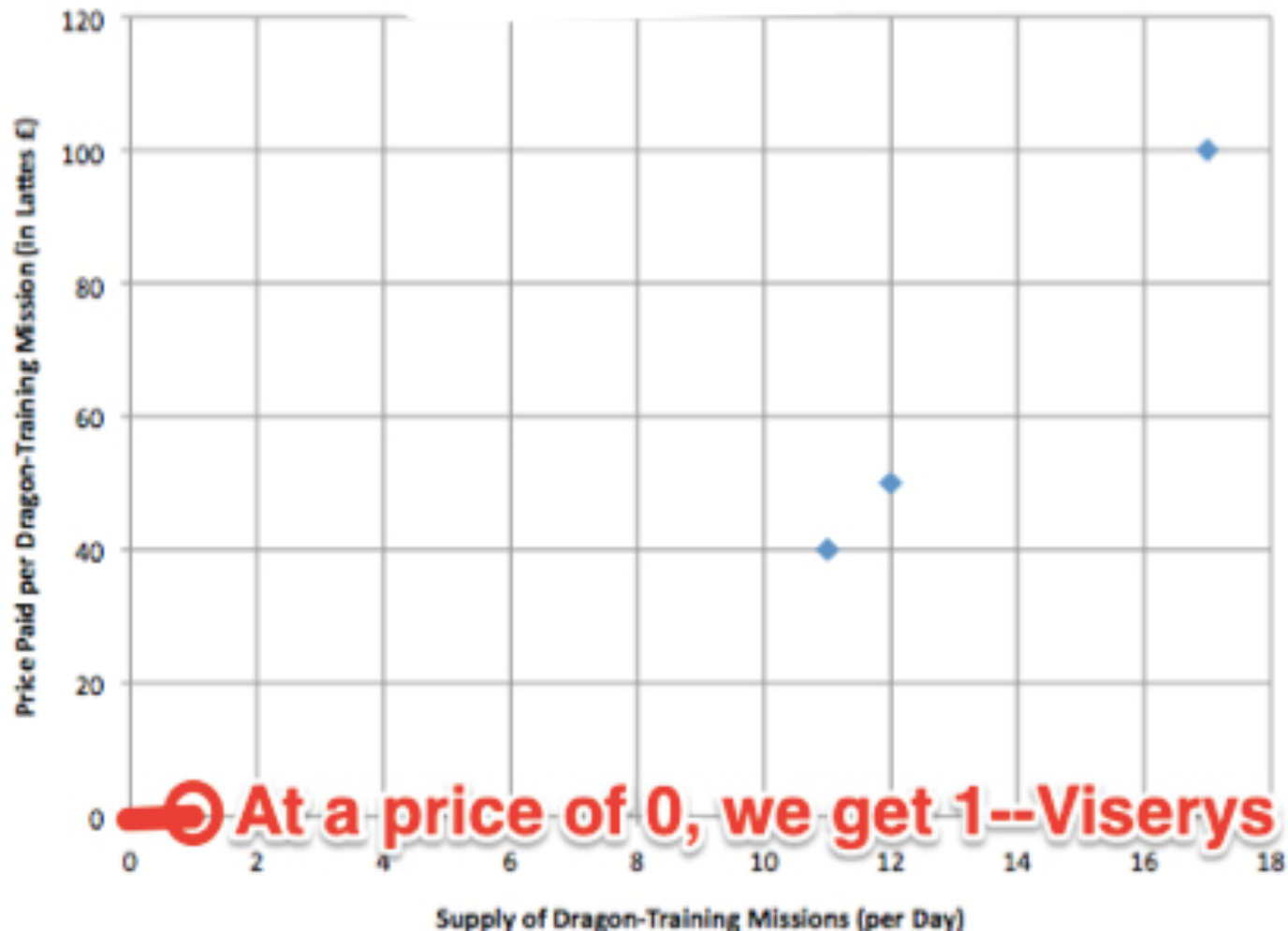
Economics 2: Spring 2014: Supply and Demand Curves

<http://delong.typepad.com/sdj/econ-1-spring-2012/>

January 29, 2014, 4-5:30
101 Barker, U.C. Berkeley

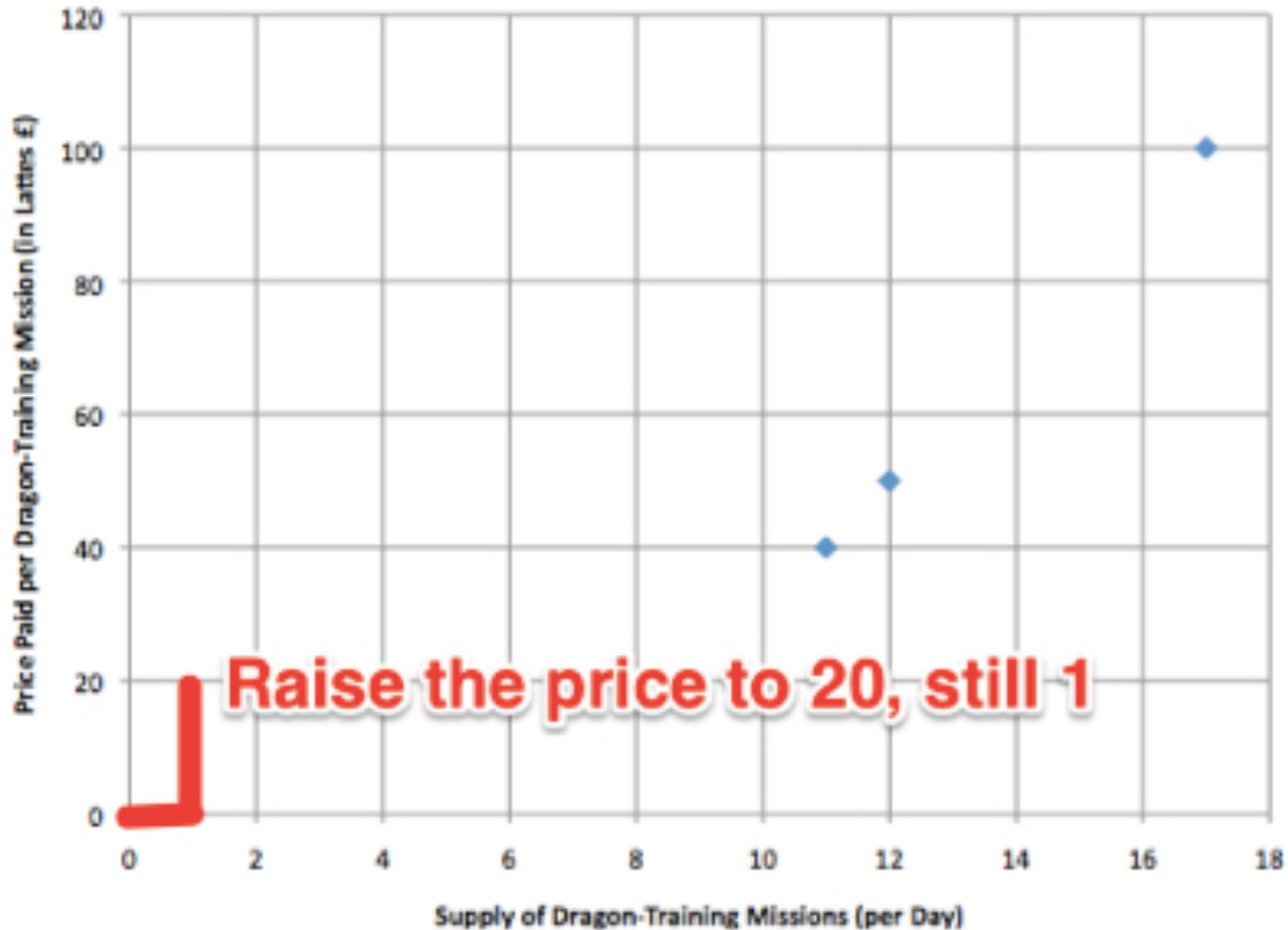
Drawing a Supply Curve

The Market for High-Tech Defense of Westeros



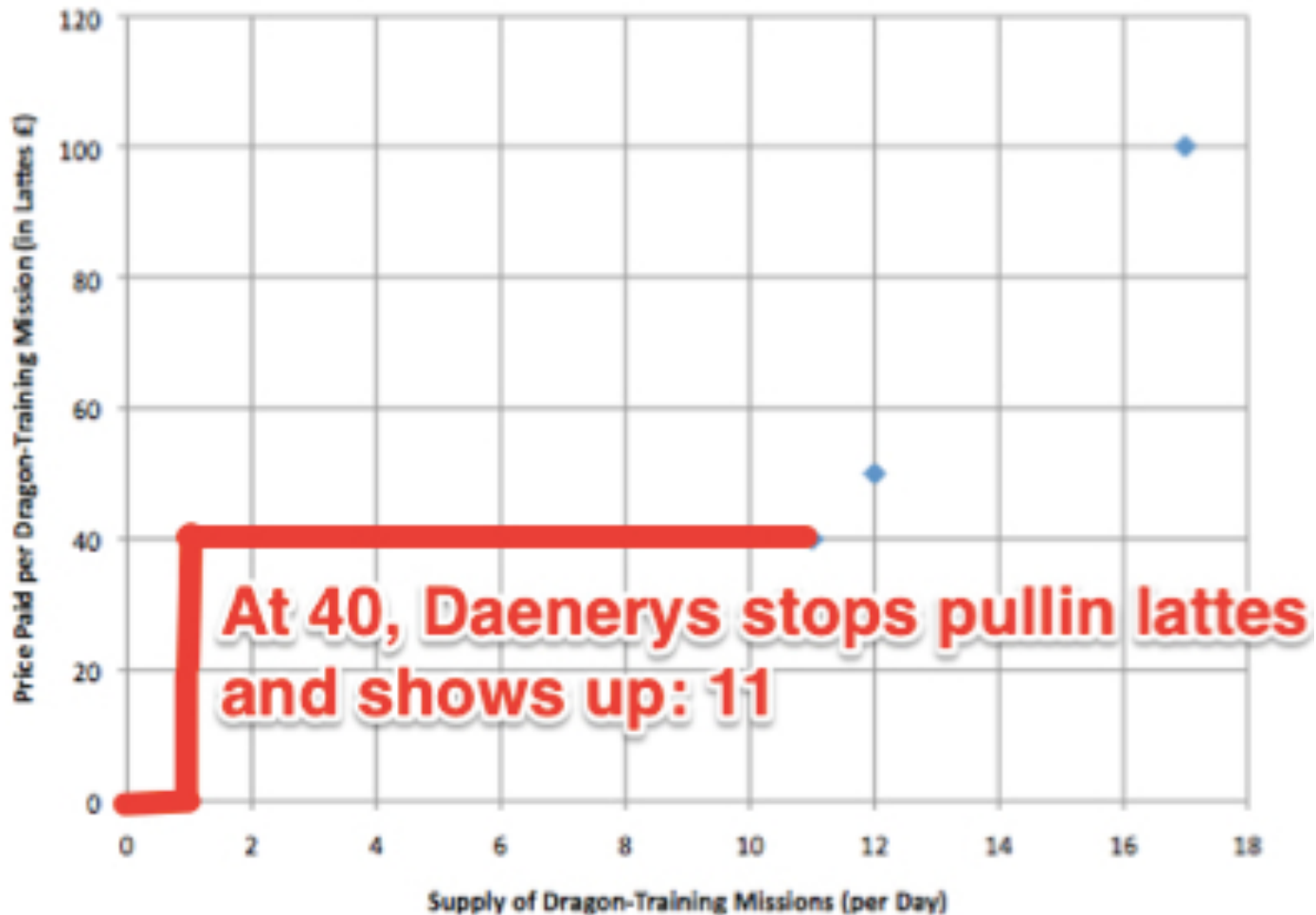
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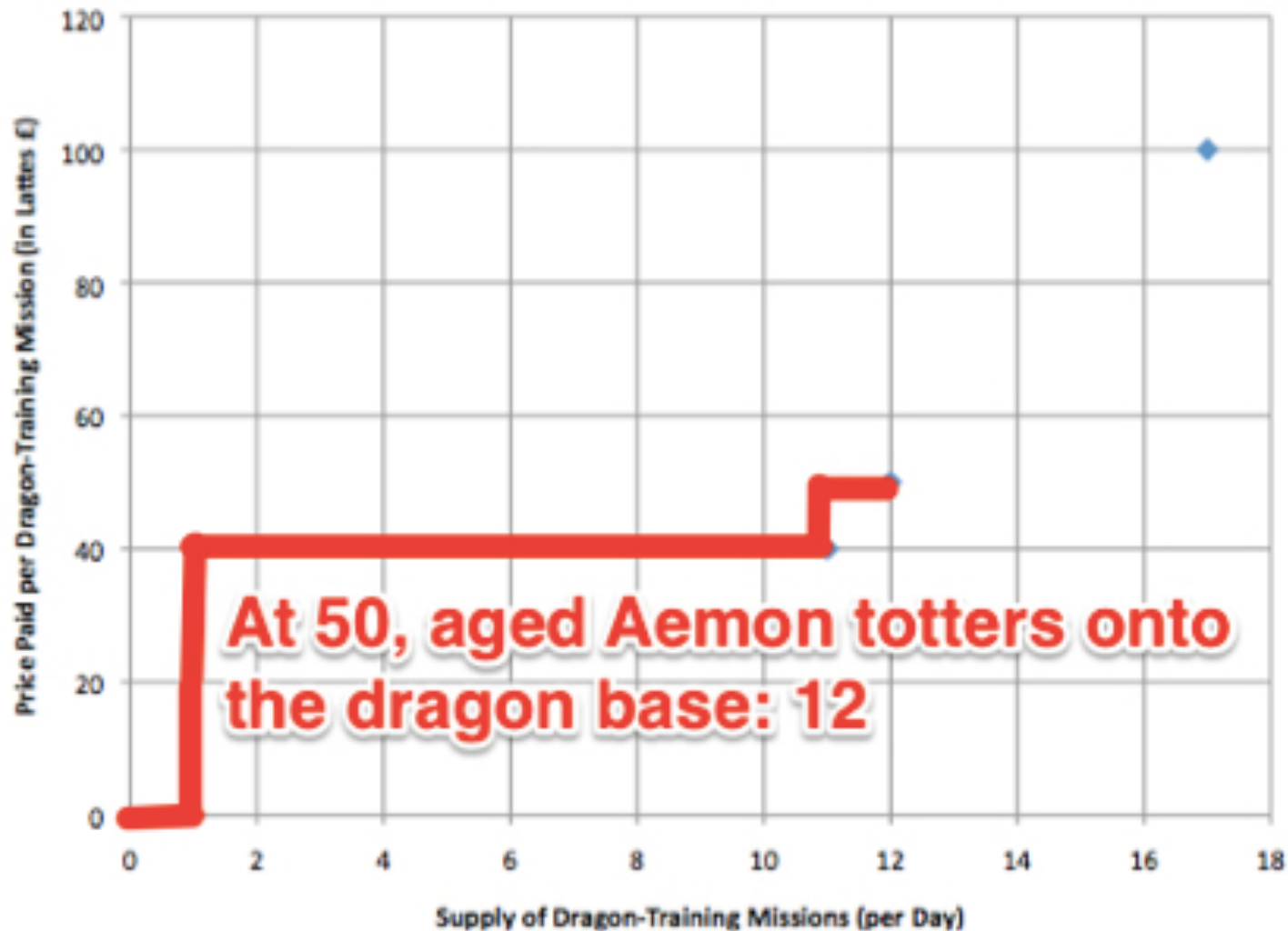
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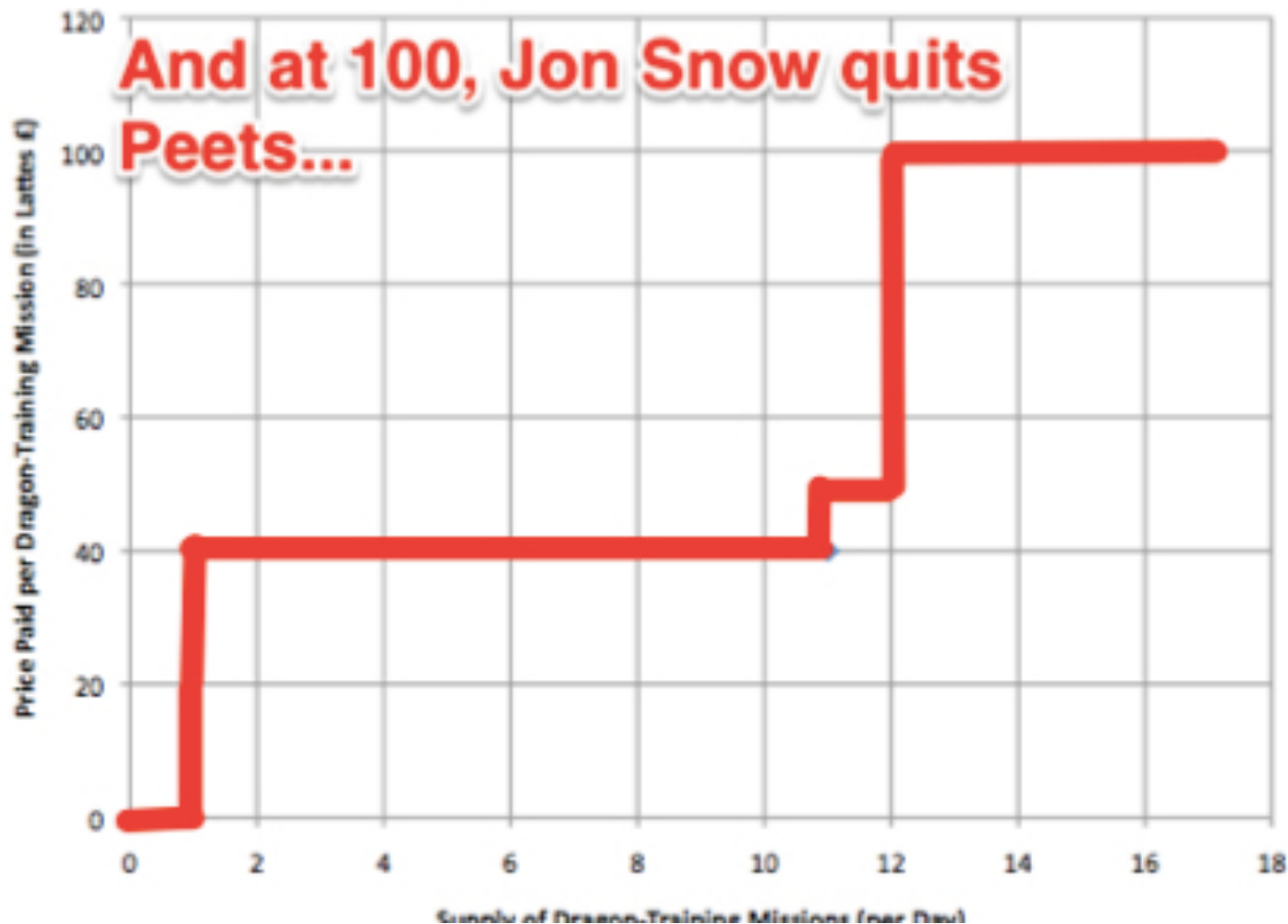
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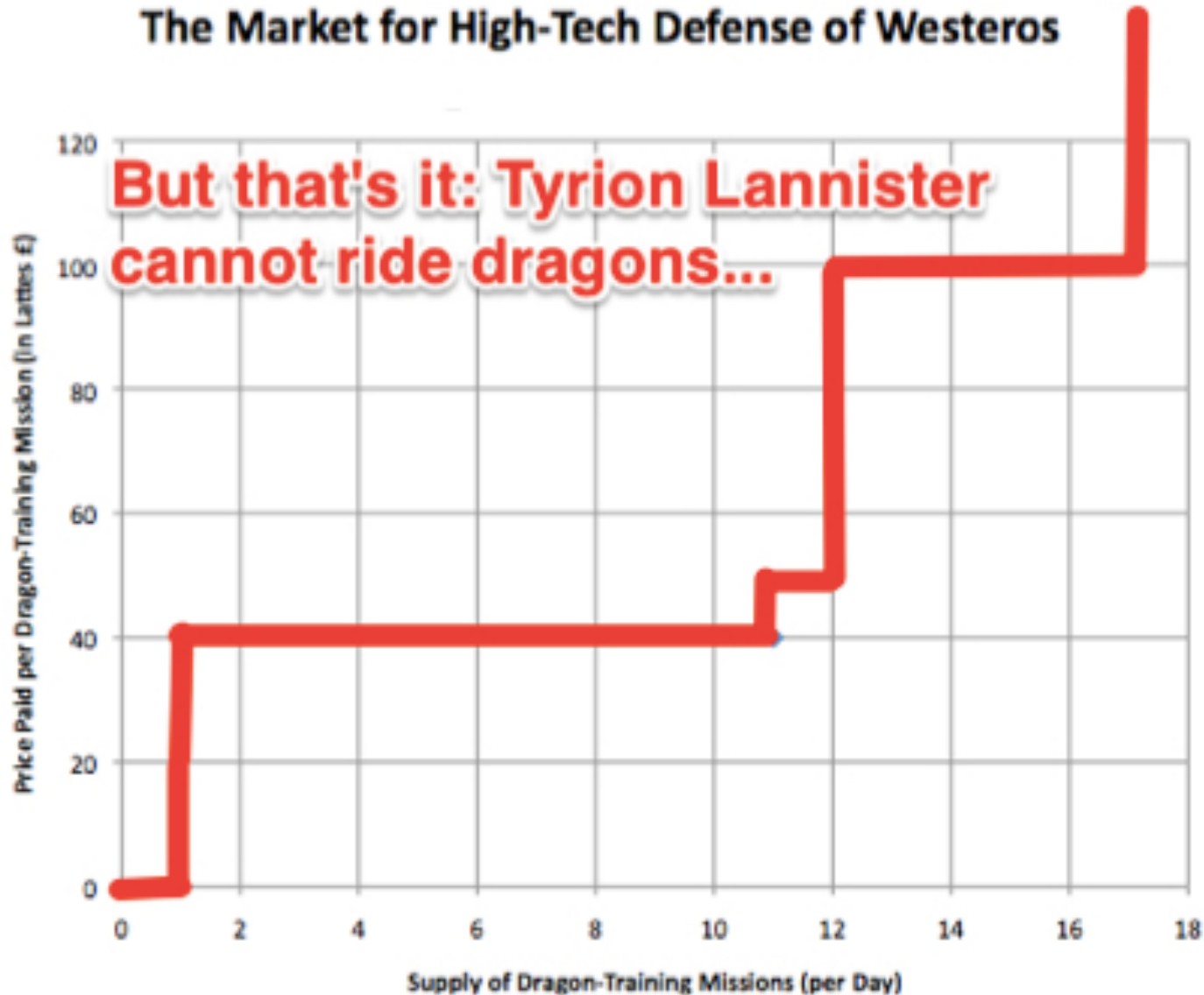
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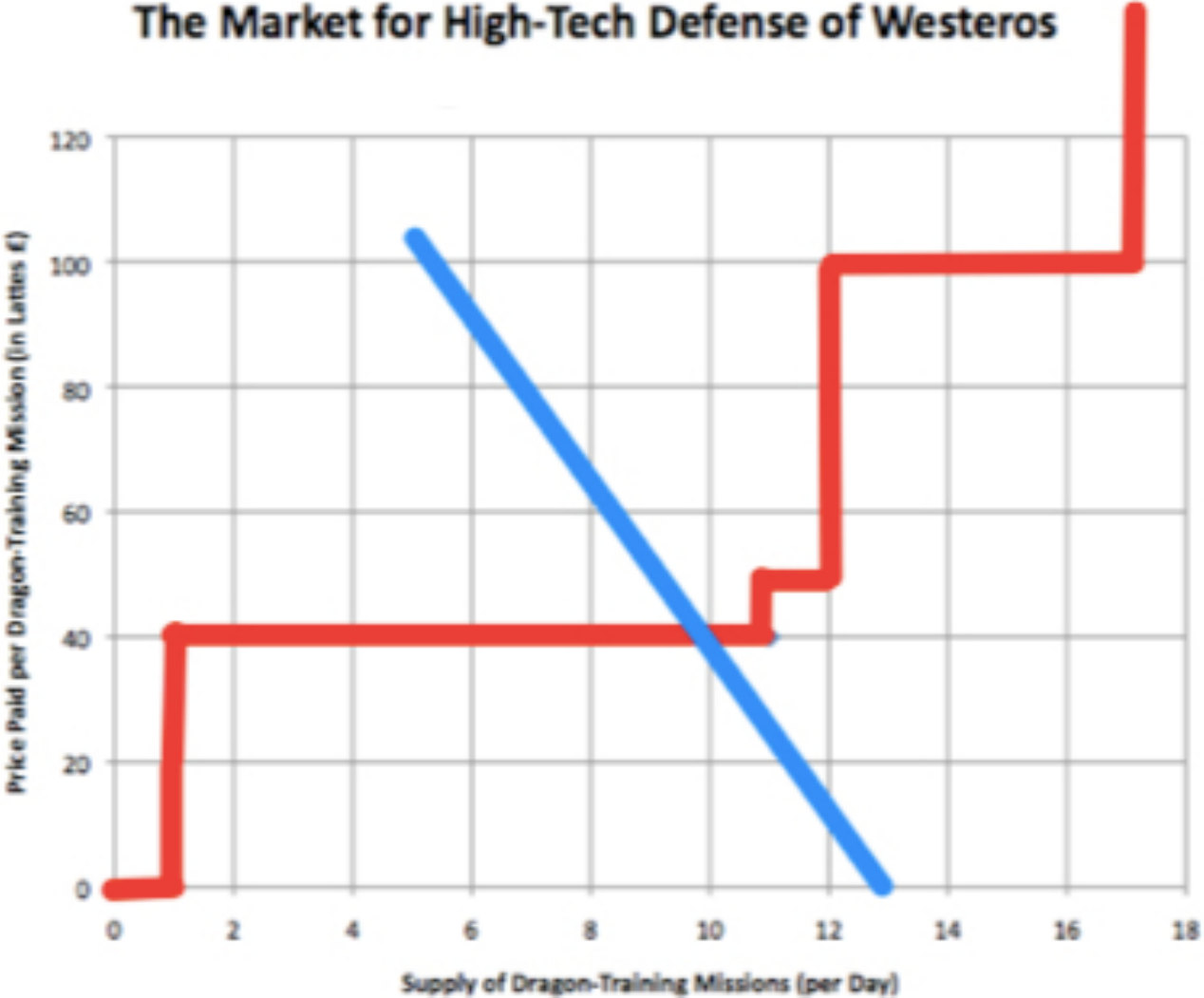
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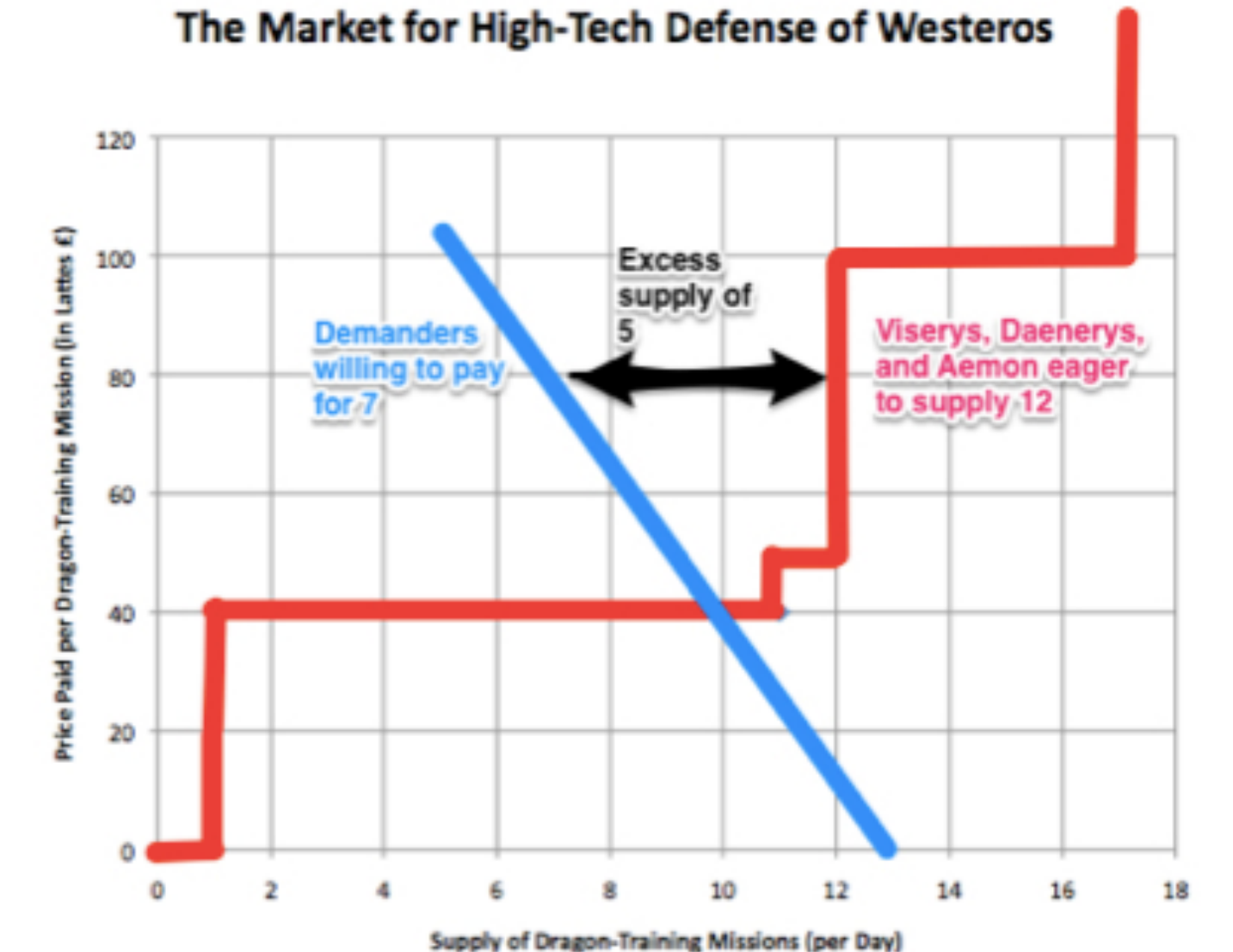
Or Can He?

- Are we any more sure that Tyrion Lannister is the son of Tywin Lannister now than we were when we were sure at the start of the series that Jon Snow was the son of Eddard Stark and <mistress> rather than the son of Rhaegar Targaryen and Lyanna Stark?
- And are those certainties correct, either of them?

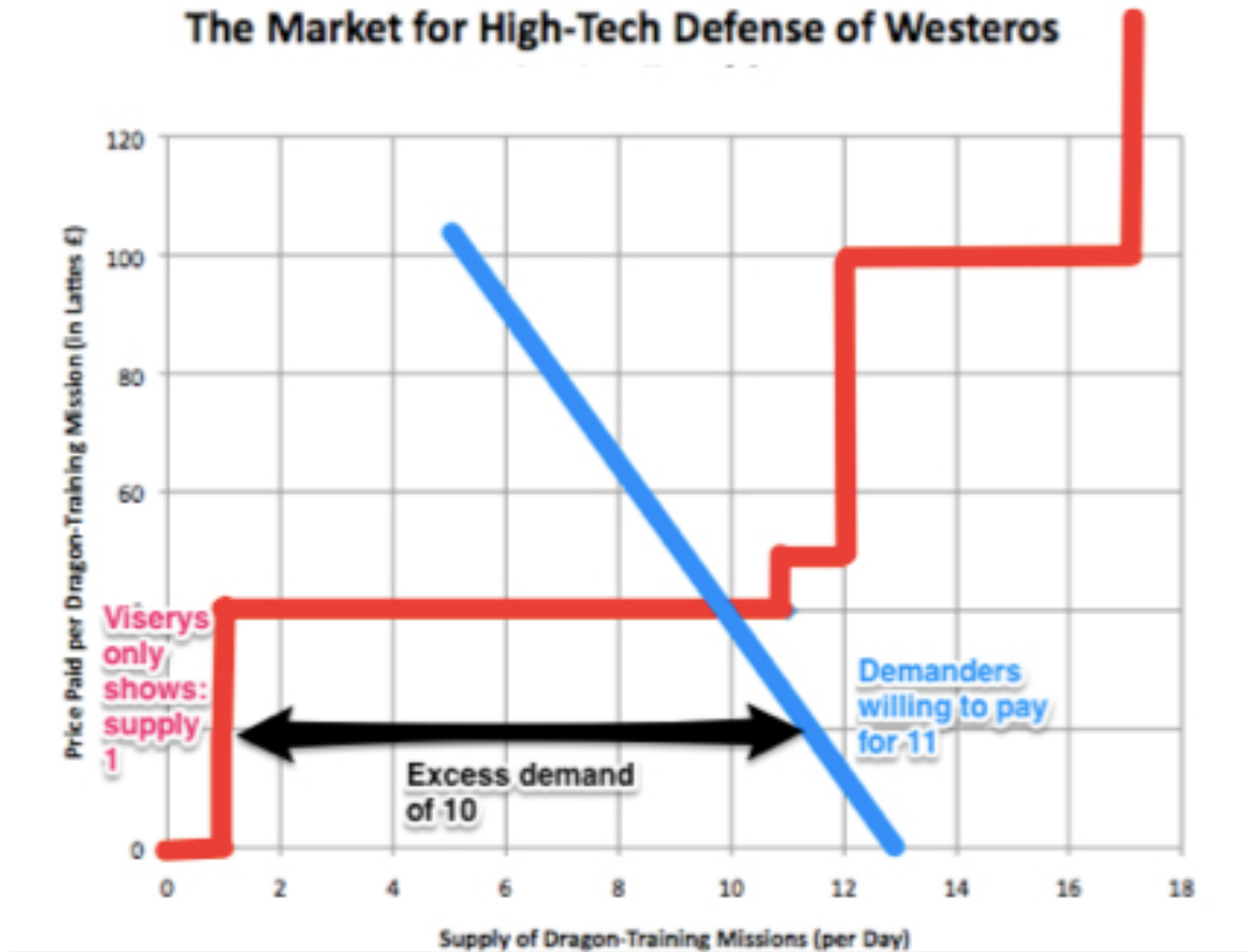
In Addition to the Supply Curve, We Will Have a Demand Curve



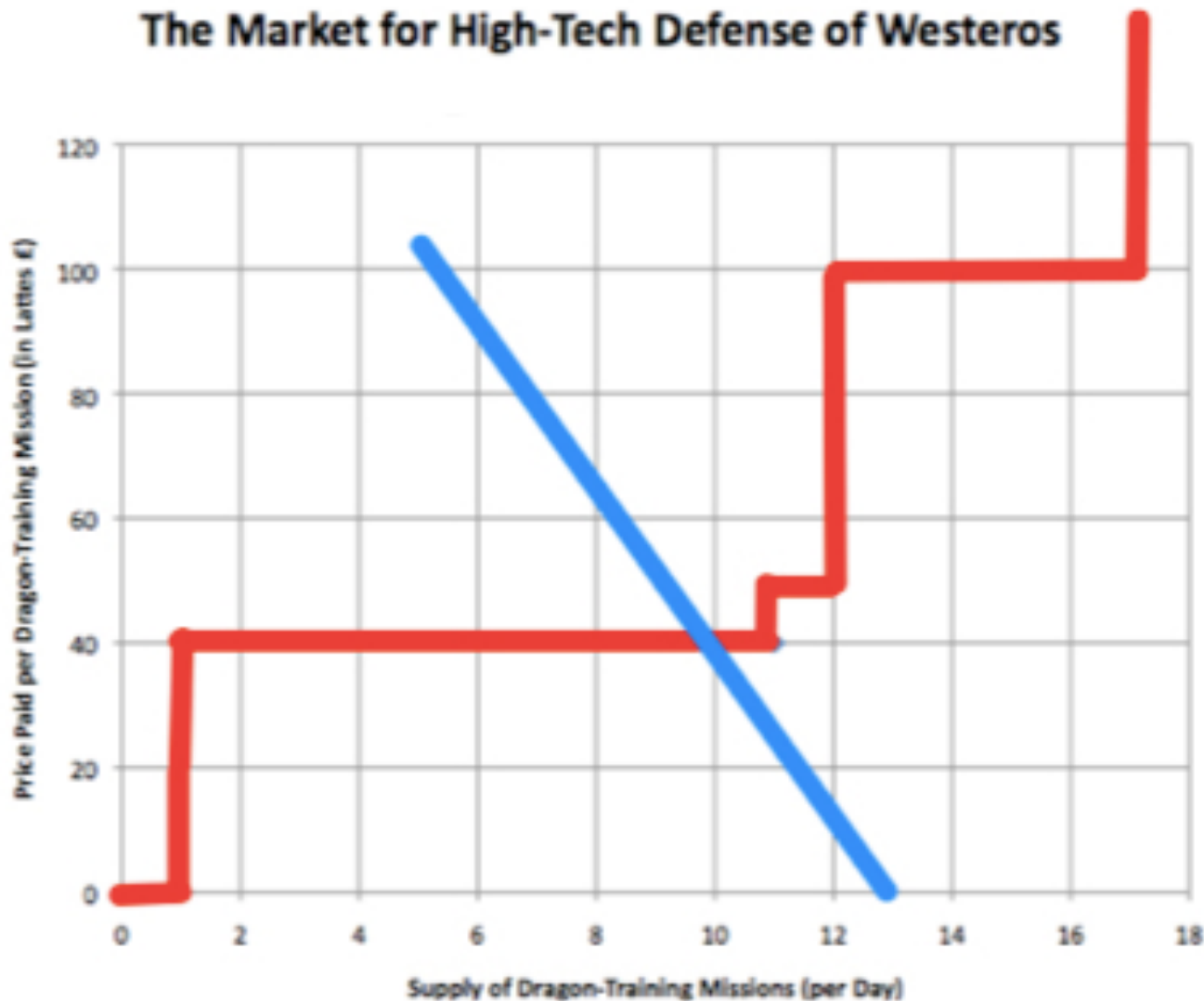
Excess Supply: If the Notional “Auctioneer” Cries Out a Price of 80



Excess Demand: If the Notional “Auctioneer” Cries Out a Price of 20



Equilibrium: Price of 20, Supply of 10 (1 from Viserys and 9 from Daenerys)



Ladies and Gentlemen, to Your i>Clickers...

- The market will find its equilibrium because...
 - A. It won't. The Master of Coin will tell the dragon-riders the price is low and demanders--the Black Watch--that the price is high, and pocket the difference.
 - B. If the price is too high, suppliers who showed up and yet have no business—Daenerys--will say: “By the Doom of Valyria! I’m not going to twiddle my thumbs. I’ll fly for less!” And the price will drop.
 - C. It won't: the riders will hold out for more than the demanders are willing to pay, and no dragons will be trained.
 - D. If the price is too low, the demanders--the Black Watch--will say: “By the Seven! The ice-zombies are coming! We gotta get the dragons trained! I’ll pay more!” And the price will rise.
 - E. It won't: the demanders will try to get the riders to fly for less than they could make pulling lattes, and they will all go back to working for Peets.

How the Market Finds Its Equilibrium Is a Problem...

- We rely on:
 - Repeated patterns of interaction
 - Large numbers of buyers and sellers
 - No effective coordination or strategic behavior on the part of buyers and sellers—“price-taking” behavior: people take prices as things that they cannot change or in any way affect
 - Full and complete understanding of the quality of goods being sold
 - No welshing on contracts