

ECONOMICS

Case Study of Economics

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Duke Kunshan University

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Who Am I

Junyu (Ally) Shi is a sophomore at Duke Kunshan University. She is interested in Mathematics and Economics because she is sensitive to numbers and data, and she was curious about solving problems of rigor. She once participated in the summer camp of Mathematics in East China Normal University and the winter camp of Economics in Xiamen University and learned more about the connection between math and economics. She also worked as an intern in an accounting firm. She chose this course not only because she is interested in economics, but also because her graduate study will be related to economics and finance. She wants to make her future choice through studying economics.

In addition to her academic interests, she is interested and passionate in painting, video creation and editing. Recently, she is learning to use Premiere, Ae, Davinci Resolve, and at the same time, she is also helping the agency to complete the creation and editing of articles. The course may come to an end, but her motivation to learn will never die.



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Interested
Major

Mathematics/Economics



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Club

Youth Leaders in Global Health Club

Outline

Elaborate Economic
Principle in Real life

How Market Works

Addressing Macro Data
as an Economist

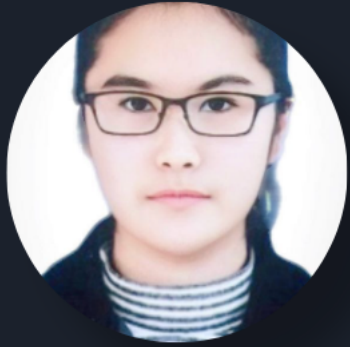
Reflection

Opportunity Cost In Real Life

Opportunity cost refers to the benefit that must be given up to get some other item or products. People tend to make different choices under limited conditions before and after considering opportunity cost. For example, when my parents decide whether to hire a nanny to clean their house, wash clothes and cook for them, if the opportunity cost is not taken into account, they will feel that they can do housework and cook food by themselves, so there is no need to spend money to pay for a nanny. But if the opportunity cost is taken into account, they can spend the time they spend doing laundry and cooking on investing, in which case they can make several times more money than they would spend on a nanny. In the same period of time, the value of investment and financial management is higher, that is, its opportunity cost is lower. Therefore, hiring a nanny is a better choice.

How Market Works

Round Table Conversations



Author: Junyu(Ally) Shi

Contributor 1: Julia Ching (Szewan Ching)

Contributor 2: Peihan(Lorelei) Li

Contributor 3: Chenzhao(Keven) Yan

Summary China's mask market before and after the epidemic

Background

- By 2020, the technical threshold of China's mask industry was low and there were many manufacturers. The competition in the industry was increasingly fierce, and the supply of China's mask industry was excessive. Most small and medium-sized enterprises are under great pressure to survive, so they adopt the strategy of price reduction.
- At the beginning of 2020, novel Coronavirus epidemic broke out, and face masks became the most important material in demand. However, due to the severe shortage of stock in the market, masks suddenly become in short supply during the epidemic. A large number of private mask manufacturers began to raise the price of masks to make more money.
- Realizing that the price of masks was too high to be controlled, local governments began to regulate the price of masks, and collect the masks from manufacturers to distribute them uniformly to areas with severe outbreaks. Later, the price of masks tended to be stable, and the deployment of masks ensured the health and safety of people everywhere.
- After the novel Coronavirus epidemic in China has improved, the demand for face masks in China has gradually decreased and leveled off.

Research Questions

1. What are the reasons for the changes in China's mask market before and after the epidemic?
2. Under the influence of the above reasons, what are the changes in supply and demand of China's mask market before and after the epidemic?
3. What is the impact of the change in supply and demand of masks on the equilibrium price, quantity of masks and the future China's mask market?

Conversations: Outside Shock

Julia: The outbreak has directly led to an increase in the demand for masks.

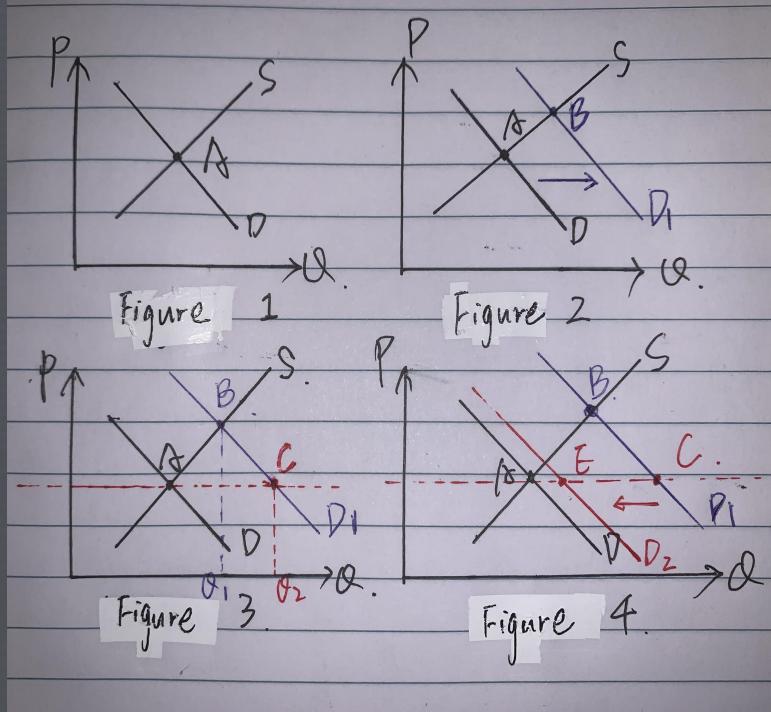
Peihan: The increasing demand for masks leads to the deliberate raising of mask prices to make profits. The government regulates and imposes restrictions on mask prices.

Keven: The national isolation and medical policies have contributed to the stability of the epidemic, and the demand for masks has gradually decreased and leveled off.

Conversations: Supply and Demand Change

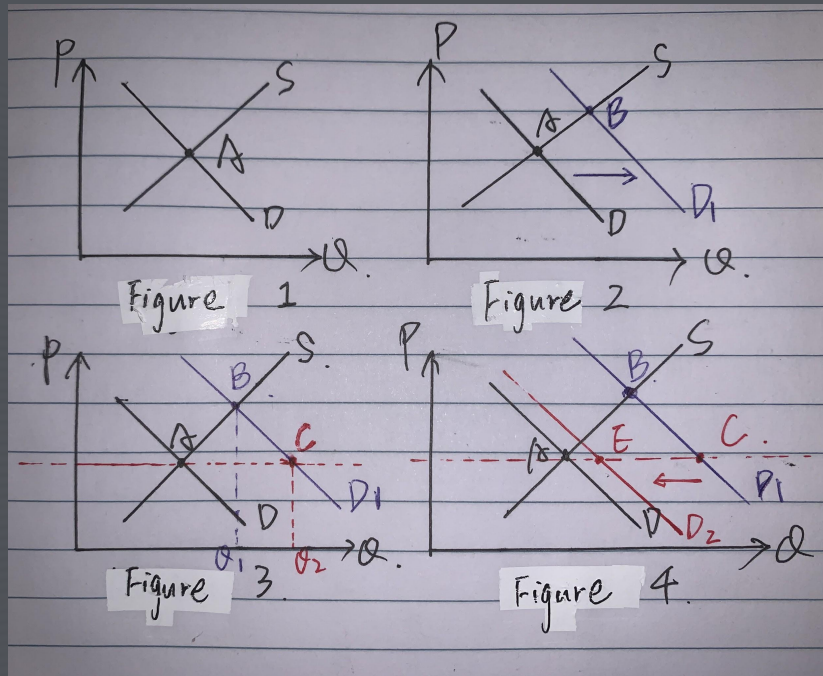
The premise conditions:

1. The main focus is on the demand curve. During the epidemic, some mask manufacturers were closed, but the government temporarily set up large mask manufacturers, assuming that the overall supply remains unchanged.
2. China's mask market is a competitive market
3. Not considering elasticity of demand
4. Ignoring the underground market



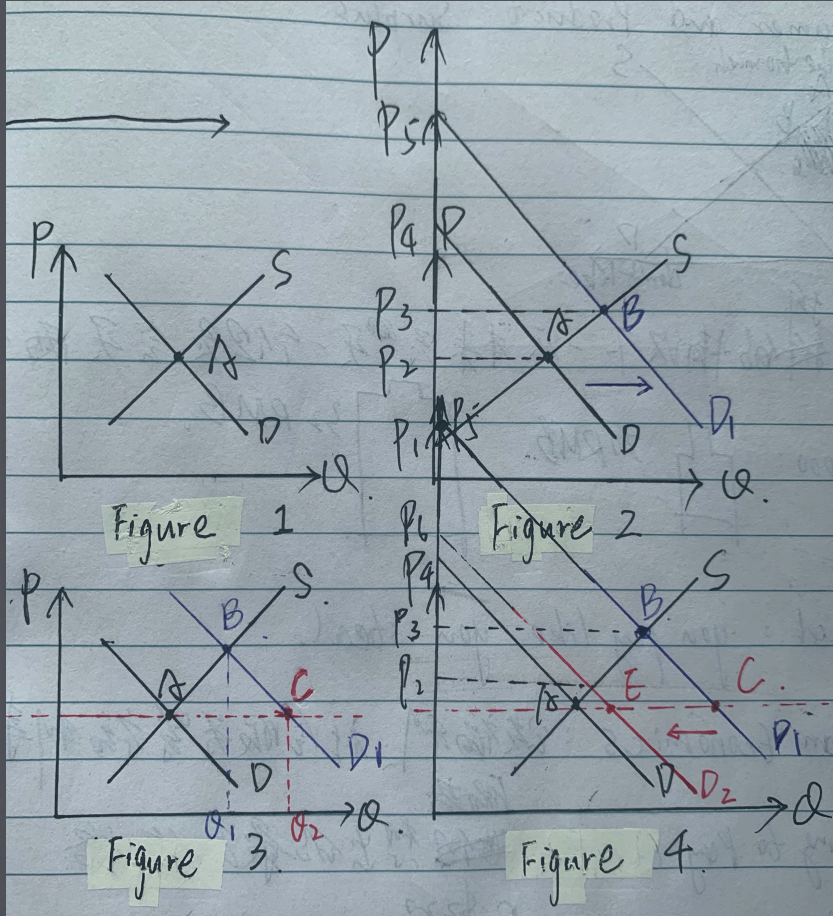
- 1) Figure 1: Assuming that the supply-demand diagram before the outbreak of the epidemic is the original diagram, the S-curve is the supply curve, the D-curve is the demand curve, and the Point A is the supply-demand equilibrium point.
- 2) Figure 2: As the demand for masks increases during the epidemic, the demand curve shifts to the right. At this point, the equilibrium point of supply and demand is point B, and the price of masks rises.
- 3) Figure 3: Because the price of masks is too high, the government regulates and limits the price of masks to the level before the epidemic, that is, point C (the same height as point A). At this time, people's demand is guaranteed and they don't have to worry about buying masks because of the price of masks.
- 4) Figure 4: After the epidemic stabilizes, people's demand for masks decreases. But because the epidemic still exists, the demand for masks is still higher than before the epidemic. Therefore, the D₂ curve represents the demand situation when the epidemic is stable. The price of masks remains stable (Point E).

Conversations: Equilibrium Price and Quantity Change



- 1) According to figure 2, if not for the government's policy, the price will be increased with the increase of demand increasing. This time price is easy to far exceed the value of the goods itself, and become inflated (for instance, the original price of 2 yuan of a face mask price in the event of an outbreak, increases to 20 yuan). If not controlled, the high price can lead to market confusion.
- 2) Therefore, according to Figure 3, the government intervenes in the market price and forcibly lowers the price, thus ensuring the stability of the price. The stable price ensures that all the people can buy masks and ensure their demand, so the demand changes from Q₁ to Q₂, and the quantity increases.
- 3) According to Figure 4, the epidemic tends to stabilize, the demand returns to the normal level, and the price also approaches the price before the epidemic. At this point, the government no longer needs to carry out deliberate price control, and the mask market tends to be stable.

Conversations: the change in Consumer Surplus, Producer Surplus, and Total Surplus



- 1) According to figure 2, the triangle representing the initial consumer surplus is AP_1P_2 , while after the demand curve shifts, the triangle turns to BP_2P_5 , the triangles can not be compared so the consumer surplus change is undetermined. Meanwhile, the triangle representing producer surplus turns from AP_1P_2 to BP_2P_3 , which shows that the area turns larger, so the producer surplus increases. Overall, the total surplus triangle turns from AP_1P_4 to BP_2P_5 , which turns larger, so the total surplus increases.
- 2) According to Figure 3, the government turns the price from B to C , so the consumer surplus increases and the producer surplus decreases. The total surplus area is added by triangle ABC , so the total surplus increases.
- 3) According to Figure 4, the demand curve turns from D_1 to D_2 , and the price turns from C to E , so the consumer surplus decreases but the producer surplus remains. Therefore, the total surplus decreases.

Addressing Macro Data as an Economist



Junyu Shi

Duke Kunshan University 学生

2 周前 •

Under Prof. Luyao Zhang' s guidance, in Econ 101 class on September 24, 2020, I learned about the economic term "exports of goods and services" . The export of goods and services refers to the domestic supply of goods and services to foreign countries in international trade. In addition to the export of goods, it also includes the direct purchase of non-resident households in the domestic market.

According to World Bank charts and data, from 2002 to 2008, global exports of goods and services increased significantly. In 2008-2009, global exports of goods and services decreased, a large part of which was due to the financial crisis. After that, global exports of goods and services showed large volatile fluctuations, but the overall increase. Until 2019, China, the United States, and Germany are the countries that accounted for the largest total exports of goods and services in the world. Through the study of this course, I have cultivated the ability to combine economic terms with actual situations and cultivated logical thinking during data analysis.

Combining academic terms with actual conditions is a major specialty of economists. Economists also possess rationality and strong cognition. Therefore, in my studies, I think I am one step closer to becoming an excellent economist.

Exports of goods and services (current US\$)

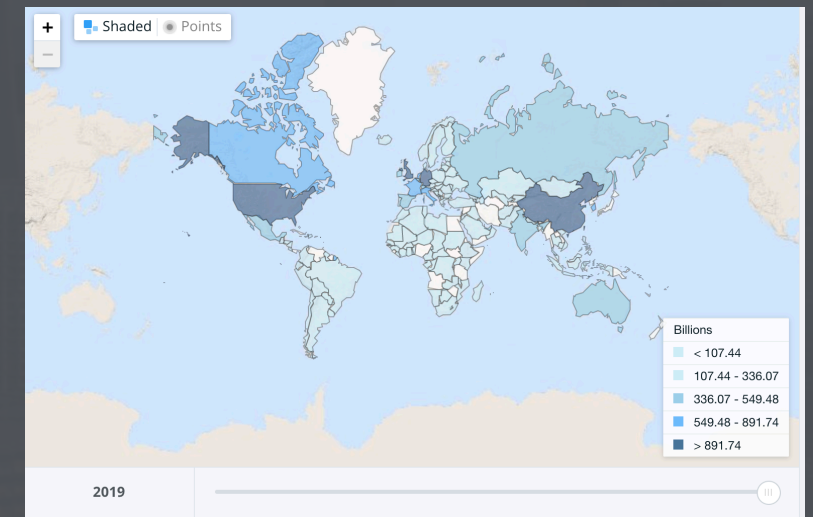
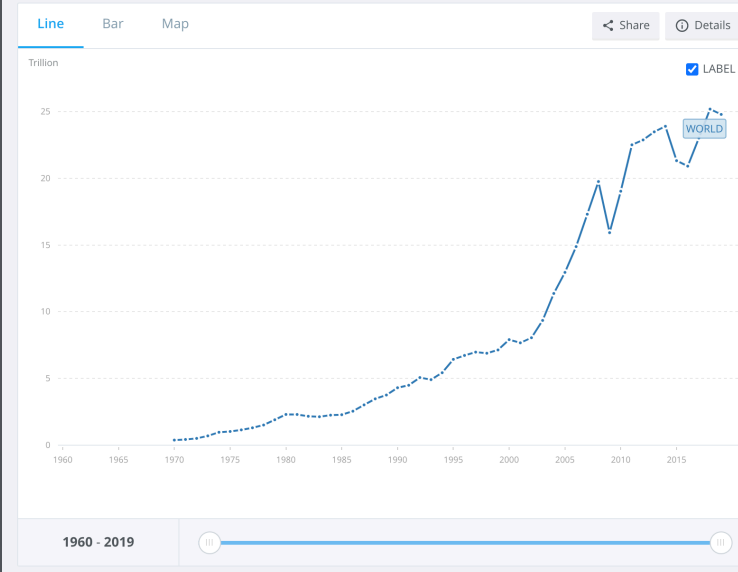
data.worldbank.org • 1 分钟阅读时间

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Exports of goods and services (current US\$)

World Bank national accounts data, and OECD National Accounts data files.

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https://www.linkedin.com/posts/junyu-shi_exports-of-goods-and-services-current-us-activity-6715671666070032384-BDyQ

<https://data.worldbank.org/indicator/NE.EXP.GNFS.CD?view=map>

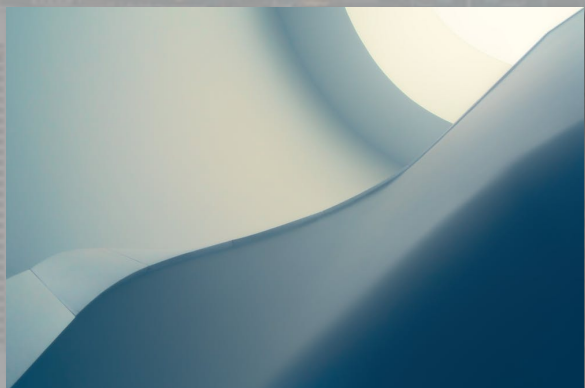
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Reflection

In this course, I learned how to apply economic concepts in practice and explain economic life with economic theories. Through discussions with my partners, I learned to use supply and demand relations and price changes to analyze market changes and make judgments about the future. In addition, I understand the global dynamics of exports through the analysis of foldable charts and maps. During the study, I gradually learned to use the economist's thinking to explain life, markets and global changes.

In the future, I will use rigorous and practical economic thinking to learn more knowledge and make reliable judgments. I will learn more about the theory of economics and see the world from the perspective of economics.



My Perspective of Economics

- As to why I want to become an Economist, when I was young and before I took the course, I thought in a very simple way that once I became an expert in Economics or a PhD, it was easy to make money. However, after taking this course and talking to Prof. Luyao, I found that it is not because I want to gain enough salaries that I want to be an expert in Economics, but it is because I love Economics that I want to study further. The meaning of the Economics, I think, is that the economics theory can be largely applied to daily life and help the ordinary people deal with their economic problems. For example, after I learned about the term “opportunity cost”, I began to give some advice to my parents on their investment, that is the real meaning of the economics principle.
- In the future, if I have the chance to get the Nobel Price, the attractive quality and impression that I want to give people is that, I have passionate love of research and can make a big difference in research. Besides, I will help most people around the world live a better life.



THANK YOU!