

# UNIVERSITY EXAMINATIONS

## 2009 SEMESTER 1 FINAL EXAMINATIONS

### MI 465 MINERAL ECONOMICS

**MI 465 ASSIGNMENT**

**September 2011**

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1. Discuss the general national major goals of macroeconomics policy and what instruments can be used to achieve these goals.
2. (i) Discuss how the following factors can affect the demand for mineral commodities:
  - a) The mineral commodity prices
  - b) Prices of substitutes
  - c) Prices of complimentary metal products
  - d) Society's per capital incomes
  - e) Size of the population
  - f) Changes in technology

(ii) What goods are considered inferior in economics?
3. A market consultant has established the following market scenario for gem quality rough amethyst:

Price per gram (US\$)	Quantity demanded (grams/time period)	Quantity supplied (grams/time period)
100	1,000	25,000
90	3,000	21,000
80	5,000	19,000
70	8,000	15,000
60	12,000	12,000
50	18,000	9,000
40	26,000	6,000

- i) Determine graphically the equilibrium price and quantity of amethyst demanded
- ii) Assume a government controlled price at \$45 per gram. Will there be any excess supply or demand at this price? What will be the price eventually paid on the black market?
- iii) Assume that government instead of controlling prices of gemstones, the market is liberalized resulting in increased supply. The new supply curve is parallel to the old one. 23,000 grams are now supplied when prices reach \$80 per gram. What will be the new equilibrium price?
- iv) Assume that along with increase in supply, extensive advertising is carried out resulting in increased demand. The new demand curve is parallel to the old one. At a price of \$80 per gram, 7,000 grams are now demanded. Show graphically the new equilibrium price.