Questions based on “Padre Island Journal: Fighting Over Opening a Shortcut to the Gulf”

1. How is the Packery Channel an input into production of fishermen like Yancy Griffith?

2. Suppose that a fisherman’s cost is a function of fuel and time (assuming he pays the captain of his boat). For a single quantity of fish, draw two isoquants, one for the fisherman with the Packery channel and the other without. Explain how the channel would change their productivity and how this shows up in the isoquants.

Questions based on the Berck and Helfand (B&H) chapter 10 (skip from bottom of page 365, “Demand Shift” to p. 369)

3. In figure 10.1, estimate the quantity that would be supplied if there were 4 identical firms and the price were equal to $800/ton.

4. What are the 3 assumptions in a short-run equilibrium?

5. Why is a firm willing to operate even if it is making “zero economic profits”?
6. What is the key difference between a short-run and long-run equilibrium?

7. Why in the long-run do we expect high cost producers to drop out of the market?

8. What is “grandfathering”?

9. What did European regulators do differently with regard to grandfathering?