

Rice Noodle in
Guizhou

Market Failure

told by

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The History of Rice Noodle

Rice noodle is a trendy snack in southern China that could be served from breakfast to dinner and differentiated from place to place with different add-ons and flavors.

2nd Century B.C.

*Invented when
Northern nomads
invading south*



Middle Ages



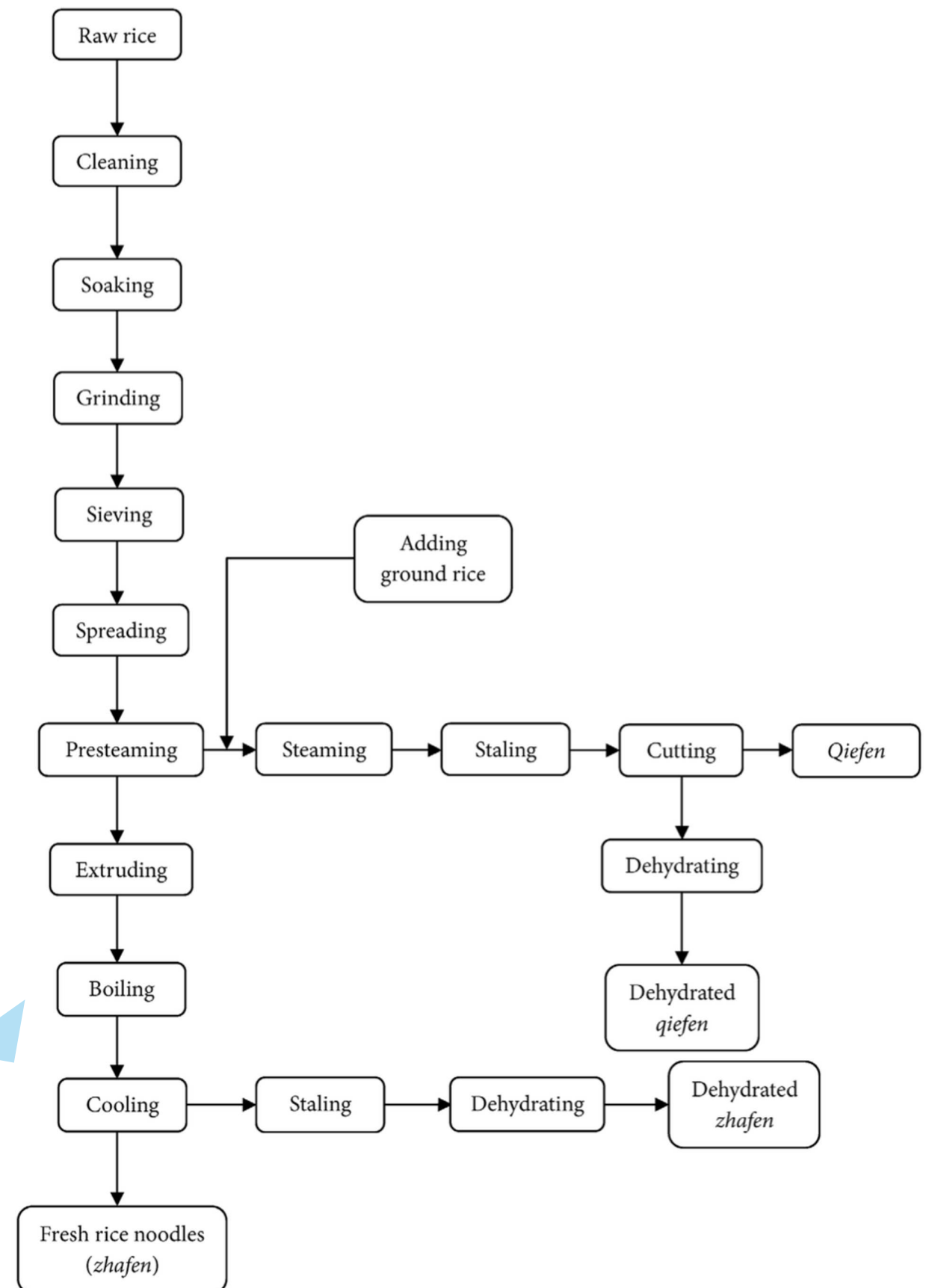
From the 1970s

*Applied electric
mill and lower the
price*

Producing in Practice

Very hard!

- At least 9 steps in making rice noodles!
- Even harder to make the appropriate soup



Reasons behind



THE WALL STREET JOURNAL.



China's Leaders Are Penned In as Citizens Stomach High Pork Prices

Efforts to boost supply hit by African swine fever, lower consumer costs have so far fallen short as government grapples with U.S. trade war and Hong Kong protests ahead of 70th anniversary celebrations

Source: <https://www.wsj.com/articles/chinas-rising-pork-prices-amplify-beijings-woes-11568135558>

When Pig Price Fly

Shaking entire market

- By the end of September, the pork price has increased by 69.3%
- CPI of the entire market has grown up by 1.65%, only consider the effect of pork



Government Intervention

- Price go back to the original level

毕节市市场监督管理局

关于对黔西牛羊肉粉店串通涨价行为 调查处置情况通报

针对近期我市黔西县部分牛羊肉粉店串通涨价行为，省、市、县三级市场监管部门高度重视，毕节市市场监督管理局联合黔西县市场监督管理局及时进行了调查、处置，现将有关情况通报如下：

一、调查情况

9月29日黔西县市场监督管理局向辖区早餐经营者发放《餐饮行业价格行为提醒告诫书》1326份，倡导广大餐饮经营者价格自律。随后市、县两级市场监管部门针对国庆节后部分牛羊肉粉店串通涨价情况，对同心商贸城羊肉粉馆经营者高某、文化路牛肉粉馆经营者冯某展开调查。

二、处置情况

经查，同心商贸城羊肉粉馆经营者高某、文化路牛肉粉馆经营者冯某在微信群内发表涨价言论串通涨价的行为属实，违反《中华人民共和国价格法》第十四条第一款第（一）项：“经营者不得有下列不正当价格行为：（一）相互串通，

操纵市场价格，损害其他经营者或者消费者的合法权益...”的规定，黔西县市场监督管理局对两户经营者进行了法律法规宣传，鉴于当事人积极配合调查并认识到自身错误，自愿承诺恢复价格，主动消除影响，并公开致歉。依照《中华人民共和国行政处罚法》第五条：“实施行政处罚，纠正违法行为，应当坚持处罚与教育相结合，教育公民、法人或者其他组织自觉守法”以及第二十七条第二款：“违法行为轻微并及时纠正，没有造成危害后果的，不予行政处罚”的规定，对上述两户经营者作出行政告诫。

截至10月11日，市、县两级市场监管部门在黔西县城城区已排查牛羊肉粉店26户，未发现涨价行为或已主动恢复了原价。目前，排查工作还在进行中。

下一步，毕节市市场监督管理局将组织县（区）市场监管部门在全市开展排查，加强价格监管。对相互串通、操纵市场价格，损害其他经营者或消费者合法权益等违法行为，一经发现，坚决严肃查处，切实维护好毕节市市场秩序。欢迎社会各界进行监督，监督举报电话：12315。

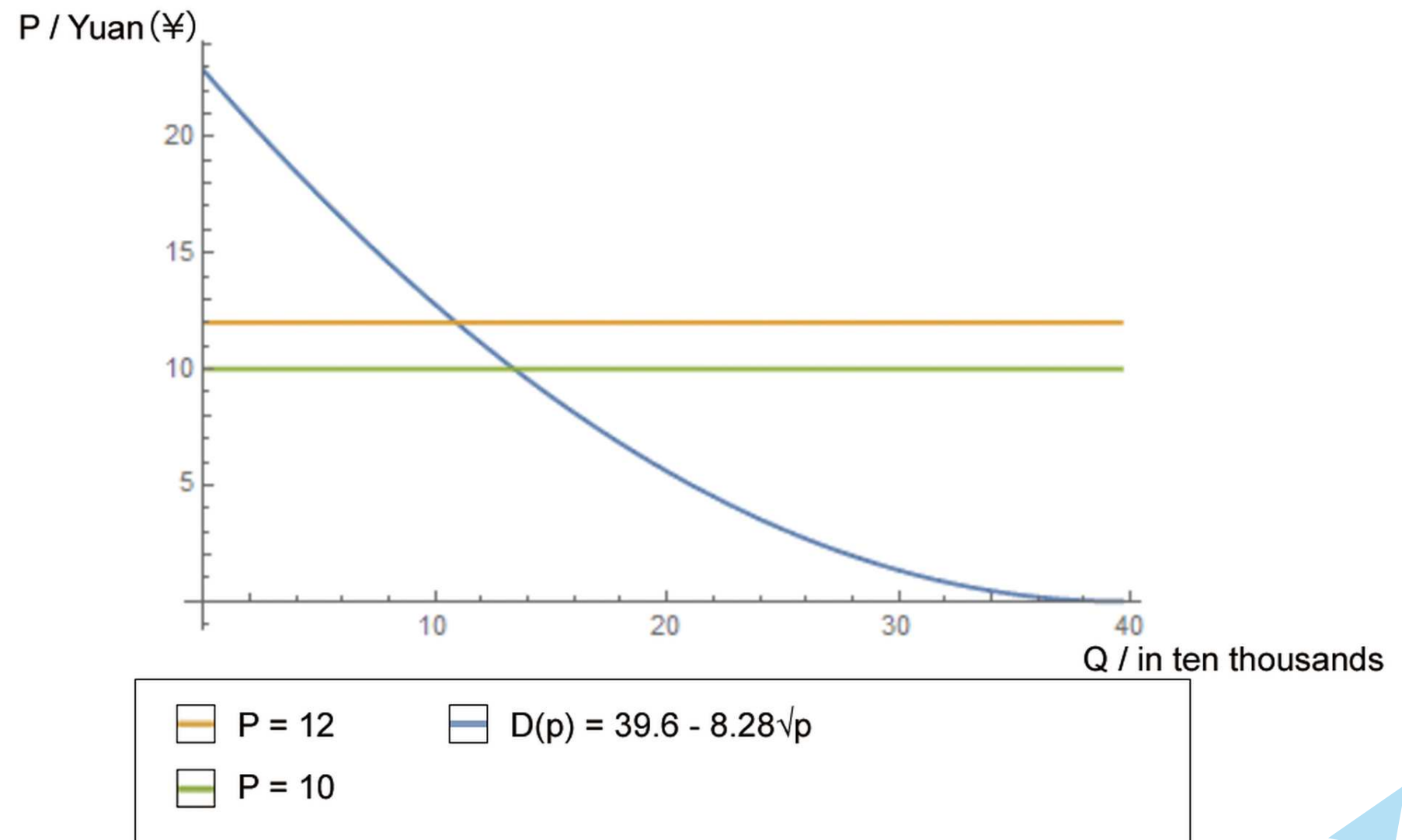


Generating Model

- Key Statistics:
 - a) Daily food expenses on breakfast: ¥5.72
 - b) Urban population in Qianxi County: 396, 000
 - c) $D''(p) > 0$
- Supply and Demand Curve:
 - a) Demand: $D(p) = -8.28\sqrt{p} + 39.6$
 - b) Supply: $p = 10$ to $p' = 12$

Current Supply and Demand

Figure 1: Supply and Demand Curve



Proposed Remedy

Supplier Perspective:

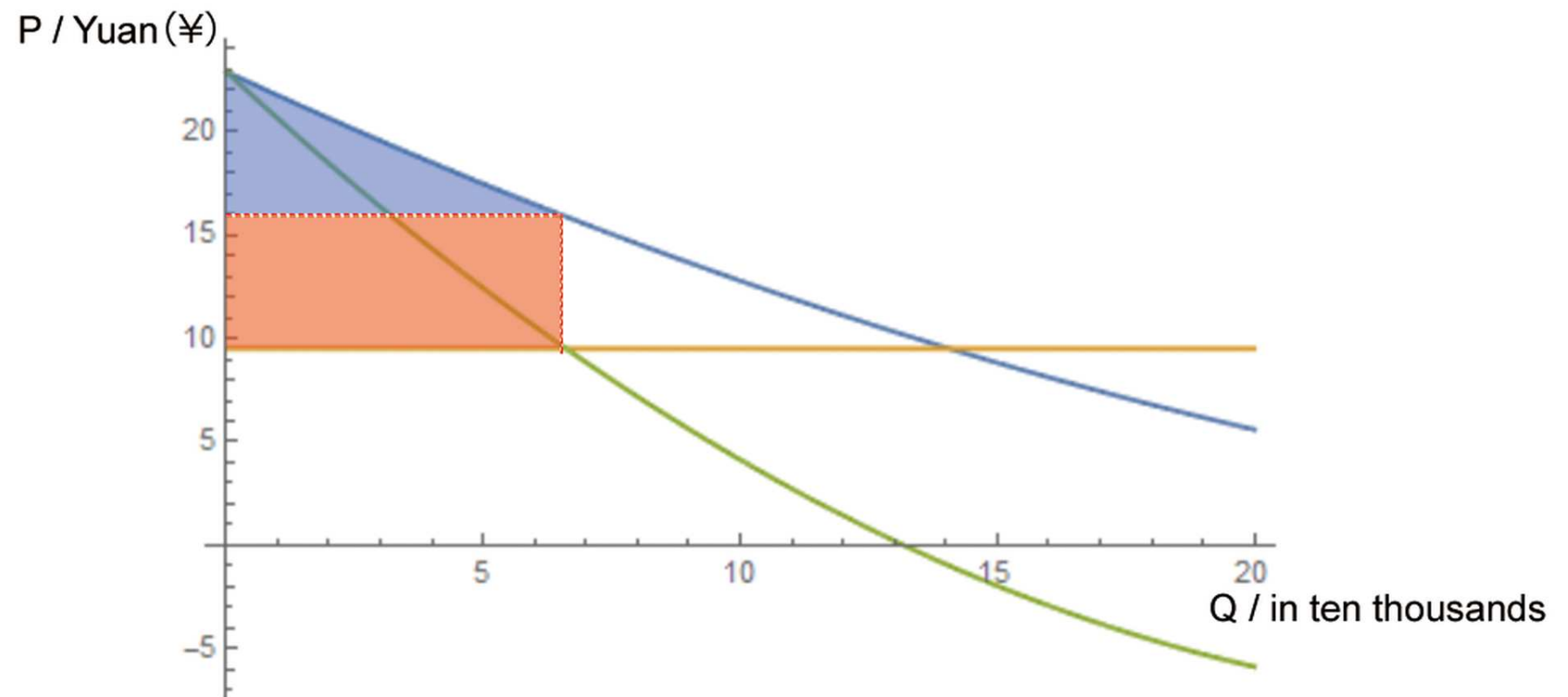
- Engaging investments from restaurants chain outside
- Benefits:
 - a) Improving efficiency
 - b) Lowering cost
 - c) Power of negotiation with producers of input

Consumer Perspective:

- Educating residents to spend more on breakfast
- Benefits of breakfast:
 - a) Boosting energy
 - b) Concentration

Distributional Effect (Short-Run)

Figure 3: Short-Run Supply and Demand Curve



$D(p) = 39.6 - 8.28\sqrt{p}$

$P = 9.5$

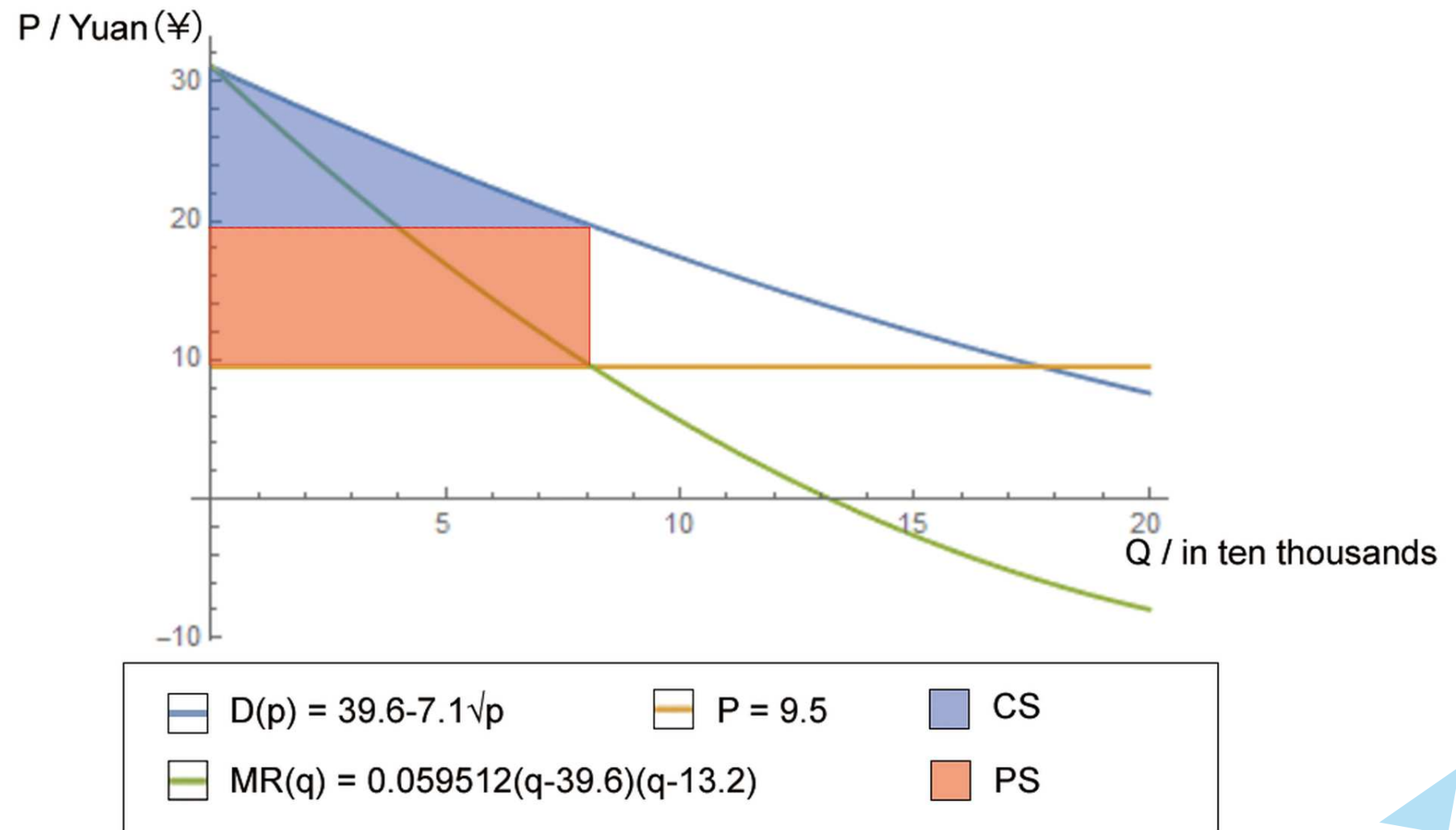
CS

$MR(q) = 0.43758(q-39.6)(q-13.2)$

PS

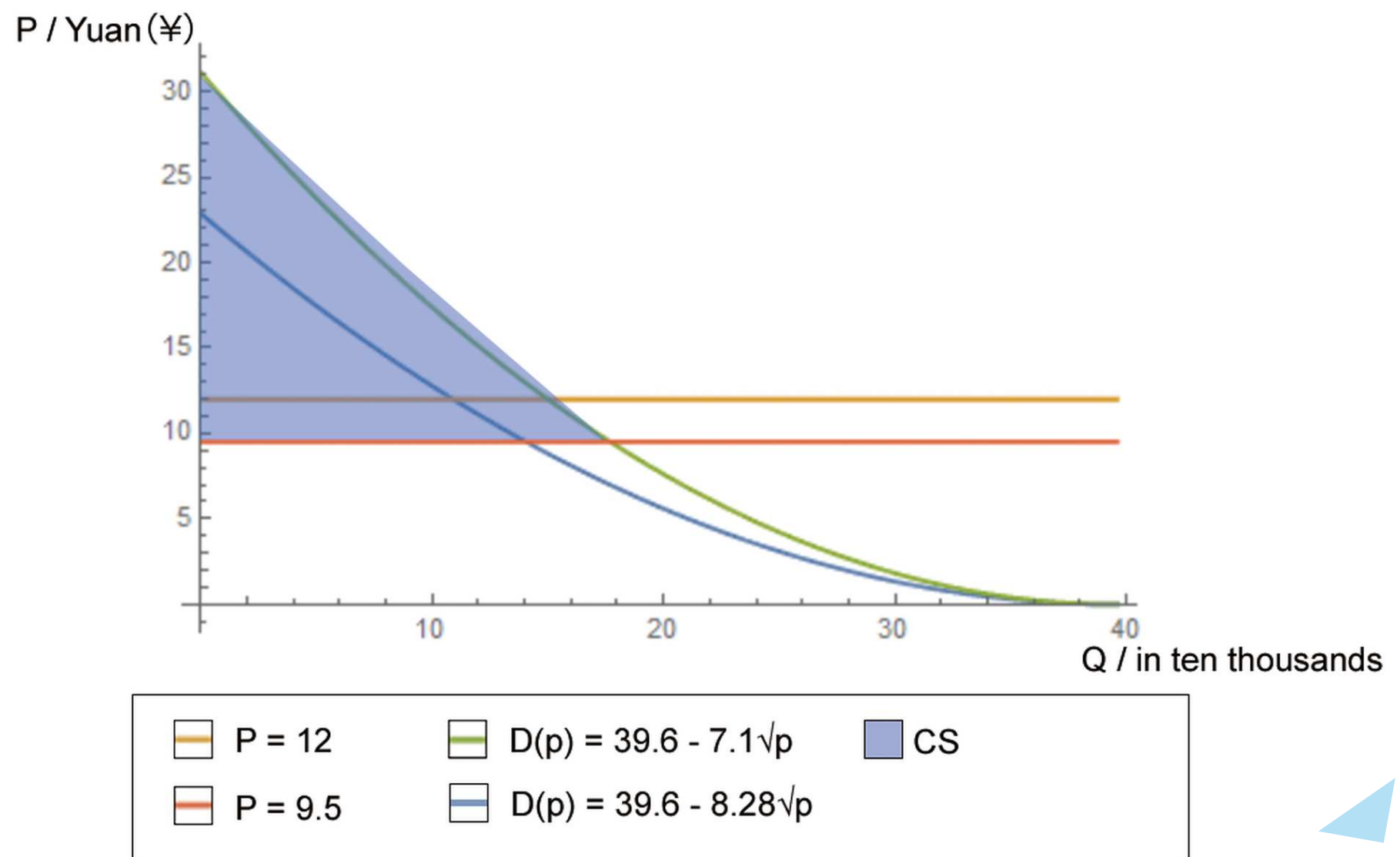
Distributional Effect (Long-Run)

Figure 4: Long-Run Supply and Demand Curve

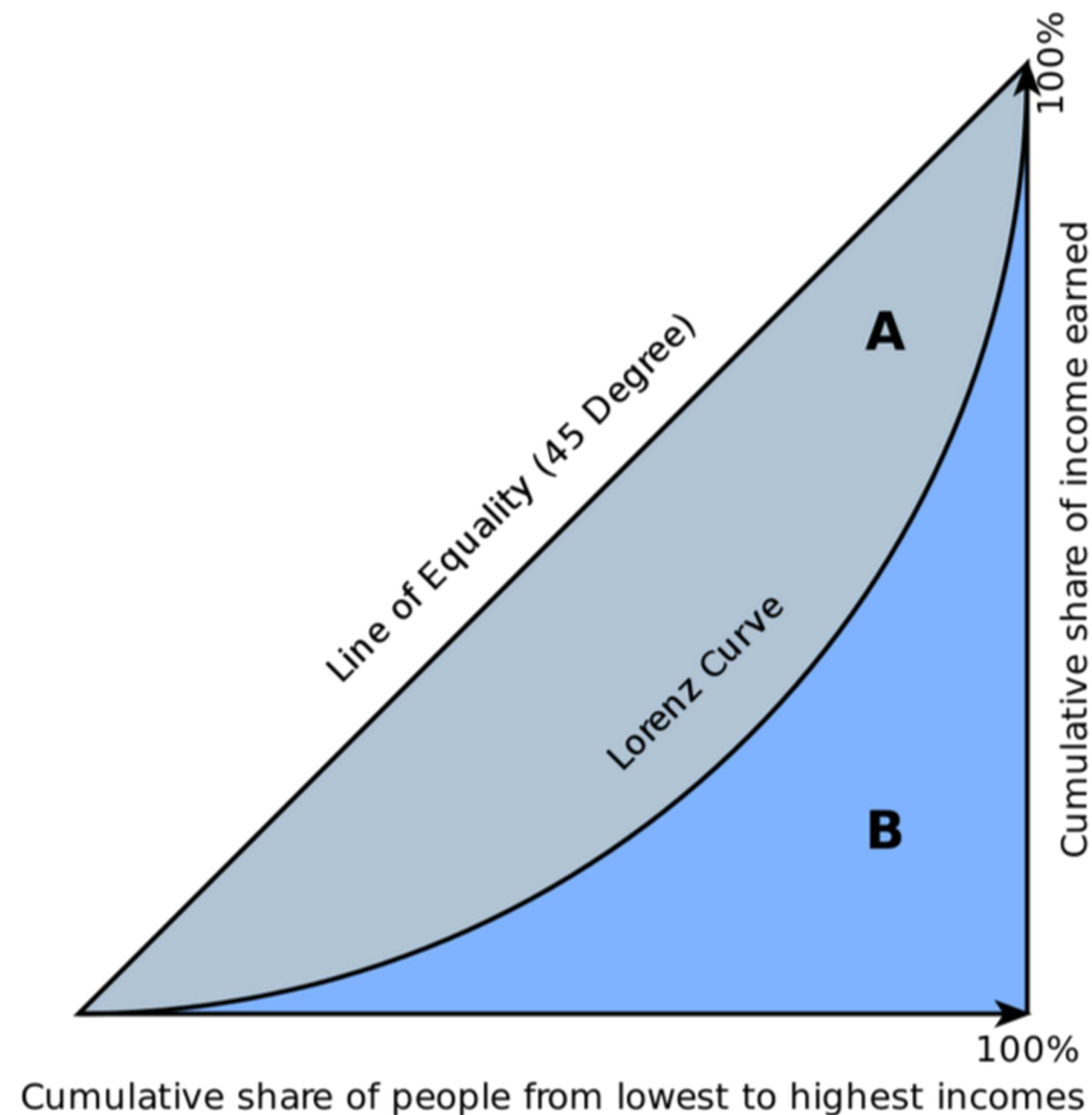


Distributional Effect (Long-Run)

Figure 2: New Supply and Demand Curve



Potential Limitation



- The effect of preference on demand curve
- The effect of economic inequality on demand curve
- The negotiation between restaurant chain and local government

**Thank You for Listening
&
Good Luck on Finals!**

Reference

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