5.22 谈木天 Victor Question1

a Low level of healthcare facility and shortage in the supply of necessities which cause absolute poverty.

b The economic problem is limited resources exceed unlimited want. The exert say the demand for the water is increasing but the supply of the water is in a very low level which means people have unlimited demand for water while the resources of water is limited.

In the exert says that as the price of water increase for 10%, the quantity demand for water will only decrease for 0.7% which means it is an inelastic demand. This means, whatever the price is, the demand for water will always be very high and the supply of water will be used up since the resources is limited.

c From the exert, the country or region who have lower GDP per head will have higher risk of water shortage. For example, the Canada have higher GDP per head than Germany and it will have lower risk of water shortage. This may be caused by high technology of purifying water and finding water resources. There is also opposite example, like Western Sahara have higher GDP per head than Pakistan, but it have higher risk of water shortage. This is caused by the weather in the country is dry for years.

d 0.7/10=0.07

e On one side, private firms supplying water should increase their prices.

First, the water is a kind of necessities, so it will have inelastic demand. If the firms increase the price, the revenue of the firms will increase. The workers will have higher income and people in the country will have better living standard.

On the other side, private firms should not increase their prices.

Second, the water is a necessities, if the price of the water increase, there will be more poor people cannot afford the water and will cause an increase in the absolute poverty which means the living standard of people is lower.

f Absolute poverty means the people in the country cannot afford for their basic living, like food.

g On one side, country’s economic growth rate depends mostly on the availability

of its natural resources.

First, if the supply of resources of the country is very high, the supply of the raw materials for firms will be high and the cost of production will be lower. The firms will experience economic of scale and increase the aggregate supply which will cause economic growth.

On the other side, country’s economic growth rate is not depends mostly on the availability of its natural resources.

First, the natural resources is a factor of production which is land. If the country’s other factor of production’s productivity is relatively low, the supply of the firms will also be low. So that the country’s economic growth rate will be low.