1. (30 points) Suppose that a sub-district authority receives 100,000 baht grant to spend locally, a mayor then set up public hearing from people living in his/her community and later concludes that there are two most requested campaigns: 10,000 baht low-interest personal loan (denoted as x) and public pool which costs 25,000 baht each (denoted as y). Total community welfare (denoted as CW) is given by

$CW = 80x + 120y$

1.1) (10 points) If two requested campaigns are perfectly substitutable and you are appointed as this sub-district mayor, draw a Production Possibility Curve (PPC) for this grant. Also label both axis and intercepts clearly, then explain scarcity and choice from your graphical representation roughly.

1.2) (12 points) How much is the opportunity cost, measured by total community welfare, if you decided to build 2 public pools?

1.3) (8 points) Suppose that you can negotiate with the central government to increase the grant up to 50 percent more and at the same time there is a contractor proposing that he/she can build a pool that cost only 15,000 baht, draw a new PPC, compare it to the original one and explain.

2. (30 points) The market for Murakami flower in Thailand is in equilibrium at a price of 2,000 baht and quantity of 5,000 flowers per month. At the price of 2,500 baht, quantity demanded drops to 4,500 flowers per month and quantity supplied rises to 6,000 flowers per month.

2.1) (4 points) Draw an appropriate graph of this market, portraying all the detail provided.

2.2) (6 points) At the price of 2,500 baht, how much is the value of total excess demand or supply?

2.3) (10 points) Calculate the price elasticity of demand at the equilibrium and determine if this price demand is elastic or inelastic at the equilibrium.

2.4) (10 points) Calculate the price elasticity of supply between prices of 2,000 and 2,500 baht and determine if this supply within this price range is elastic or inelastic.