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Dynamic Demand Function on Cobweb Model

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Abstract

Time lag exists between inputs and outputs during the production process. Both producers' supply and consumers' demand at time t may be influenced by actual commodity trade price at time t-1. Many scholars used "Expectations" theory to discuss the dynamic supply function; on the other hand, few scholars are trying to use quantitative model to discuss this dynamic demand issue. First step, this study is trying to discuss market demand function based on the exchange of market trade information. Next by using Cobweb model, the process of reaching equilibrium will be discussed. The results of this study will be compared with the traditional Cobweb model and hopefully be used by policy makers as a tool to evaluate price level when the market reaches equilibrium.