

Microeconomics: cost analysis

[Economics](#), [Microeconomics](#)



The article is about how mining sector is responding to the changes in the supply and demand dynamics and the impact of same on global prices. outlines that though the overall output is decreasing in mining industry due to different factors however, the decline in the output is actually supporting the industry because of higher prices due to limited supply. Author also argues that the overall cost of finding and operating new mines especially for copper has increased thus making it relatively difficult for the established miners to continue to expand. This is despite the fact that firms will be spending more money in future to explore new mines but the same may not have a kind of impact required to bring the market in equilibrium. 1

My personal opinion about this article is really balanced due to the fact that author has been able to highlight as to how the distortions in market equilibrium can actually cause the prices to fluctuate. I believe that the author has been successful in highlighting as to how the supply and demand dynamics in mining industry work and what needs to be done in order to improve the overall situation in the industry.

This article relates to the concepts of microeconomic cost analysis by highlighting that the changes in the demand and supply dynamics can change the prices in different manner. Further, increase in variable cost of operating new mines have been shown as one of the key reasons as to why the overall supply is lower despite higher demand from countries like China.