Van Eaton, Heath A., US Excess Demand for Selected Plastics Goods: 1994-2003, M.S., Department of Agriculture and Applied Economics, May 2010.

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Publisher:
ProQwest LLC

Abstract:
Elasticity of import demand is estimated for three selected plastic good categories for the period 1994-2003 that exhibit the largest growing trade deficits. Price and volume analysis was conducted to help determine price leaders and trends related to respective changes in market shares for the plastics goods. Price variables consist of the United States, China and a weighted price index for all other importing countries (Rest of World). China's growing market dominance in all three plastics goods categories justified its own pricing variable. The empirical findings indicate that the elasticity of demand for polyethylene bags was inelastic for all countries except for China, which was -1.47, blinds made of polyethylene were all inelastic and gloves made of rubber were all inelastic except for the Rest of World variable at -1.43.

Conclusions Excerpt:
Further research is warranted to gain a better understanding of why the United States excess demand is not being filled by domestic firms or by more importing countries other than China since this paper's results show that adequate pricing competitiveness exists in the global market to support this question and the pricing and demand relationships support this also. Opportunity appears to exist for domestic producers to grow output capacity and supply the respective market's growing appetite for plastic related goods. Increases in output by domestic firms in theory would make them more efficient and allow economies of scale to help the firms be more competitive in the global market. This is mostly true for products like bags made of polyethylene and blinds made of polyethylene where domestic producers are already very competitive in price. The law of one price should, in terms of economic theory, give domestic producers a competitive advantage of operating in the United States, insulating them from growing increases in transportation costs that the importing countries are more subjective to. Next in line for pricing competitiveness in the domestic market, assuming the law of one price holds true, should favor America's NAFTA trading partners, Mexico and Canada. Some economists speculate that the price of Chinese imported goods could increase as high as 40% (Washington Post, 2005) if the Yuan was allowed to float rather than peg to the US Dollar, but this subject is very complex and heavily debated throughout the world.