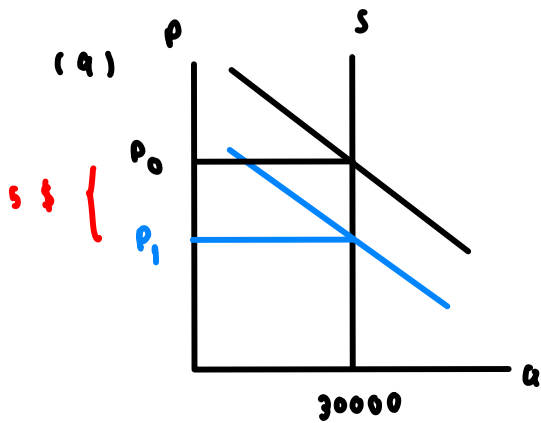


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SETHANAN



The supply is perfectly inelastic, so that the tax burden is on the team's owner, he cannot increase the ticket's price and price will eventually fall by 5 dollars

(10) (a) at equilibrium :  $Q_s = Q_D$

$$2P = 300 - P$$

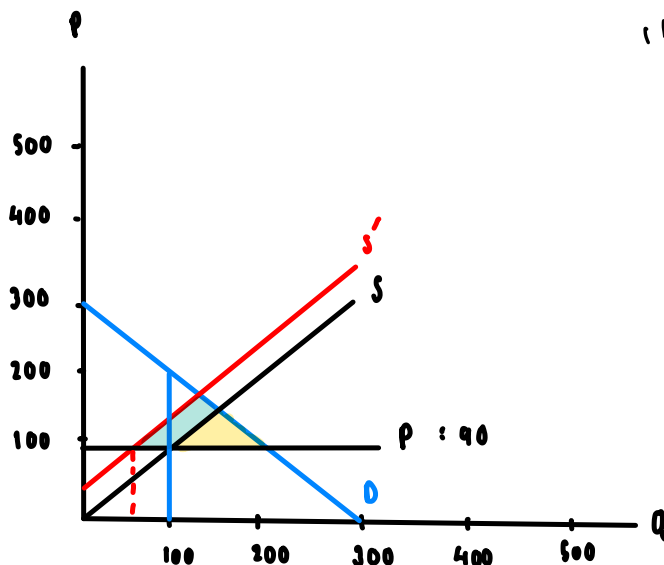
$$P = 100$$

equilibrium price = 100

$$Q_s = 2P = 2(100) = 200$$

$$Q_D = 300 - P = 300 - 100 = 200$$

Equilibrium quantity = 200



(b) at  $P = 90$   $Q_D > Q_S$  : Excess Demand

$$P = 90$$

$$Q_s = 2P = 180$$

$$Q_D = 300 - P = 210$$

$$\text{Size of Shortage} = Q_D - Q_s = 30$$

(c) Same  $P$ ,  $Q_s = 2(P - 30) = 2(100 - 30) = 140$

$$Q_D = 200$$

$$\text{Size of Shortage} = 200 - 140 = 60$$

(c) we actually wanted to increase  $P$  by this price floor but

Price floor is set at 90 Dollars,  $P = 100$  Dollars (Price floor <  $P$ )

so that the market will continue its mechanism at

$P = 100$  and neither surplus or shortage will develop