

EE320(sec 046402)
Semester 1/2020

Quiz#1

Let a market for a product have market demand and market supply as the followings:

Market Demand: $Q_D = 8 - 2P$

Market Supply: $Q_S = -2 + P$

Q_D is total quantity demanded(in units), Q_S is total quantity supplied(in units), and P is price of the product (Baht).

Please answer below questions and show how you can derive your answers carefully.

- (1.) What are equilibrium market price and quantity?
- (2.) If government imposes specific tax 1 baht per unit on producers, find equilibrium market price and quantity after tax. What is the price that consumers pay? What is the price that producers receive?
- (3.) How much is total tax revenue? How much are consumer burden and producer burden?
- (4.) Compare the burden between consumers and producers and show that whoever has lower price elasticity(in absolute term) will bare larger tax burden.

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