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: $Q_{\mathrm{D}} = 8 - 2\mathrm{P}$

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 <u>lower</u> price elasticity(in absolute term) will bare larger tax burden.

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