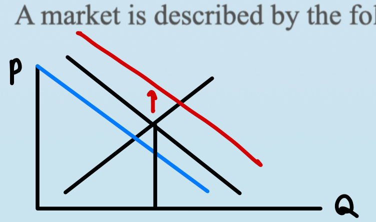
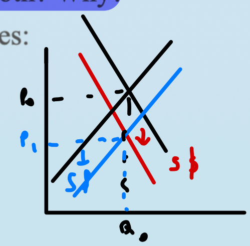
HW#6 Due October 6, 2020

9. At Fenway Park, home of the Boston Red Sox, seating is limited to about 38,000. Hence, the number of tickets issued is fixed at that figure. Seeing a golden opportunity to raise revenue, the City of Boston levies a per ticket tax of $5 to be paid by the ticket buyer. Boston sports fans, a famously civic-minded lot, dutifully send in the $5 per ticket. Draw a well-labeled graph showing the impact of the tax. On whom does the tax burden fall—the team's owners, the fans, or both? Why?

10. A market is described by the following supply and demand curves:



$$Q^S = 2P$$
$$Q^D = 300 - P$$



a. Solve for the equilibrium price and quantity.

b. If the government imposes a price ceiling of $90, does a shortage or surplus (or neither) develop? What are the price, quantity supplied, quantity demanded, and size of the shortage or surplus?

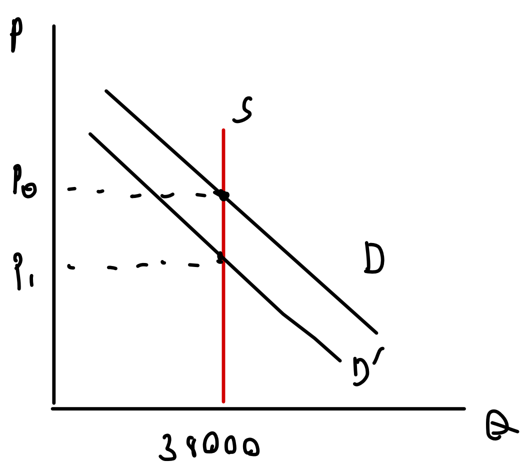
c. If the government imposes a price floor of $90, does a shortage or surplus (or neither) develop? What are the price, quantity supplied, quantity demanded, and size of the shortage or surplus?

d. Instead of a price control, the government levies a tax on producers of $30. As a result, the new supply curve is:

$$Q^S = 2(P - 30).$$

Does a shortage or surplus (or neither) develop? What are the price, quantity supplied, quantity demanded, and size of the shortage or surplus?

9



The tax burden will share on team owners. It happen because the price fall from P0 to P1 but Quantity be the same because the seat is limited

10

a)

$Q_S = 2P$

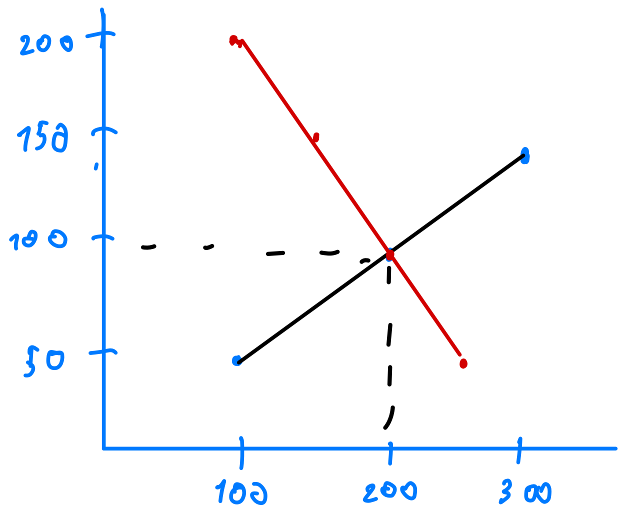
$Q_D = 300 - P$

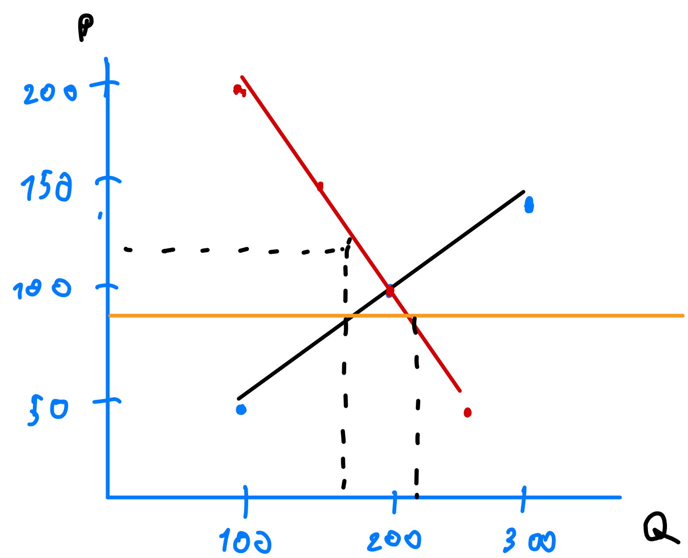
$300 - P = 2P$

$300 = 2P + P$

$100 = P$

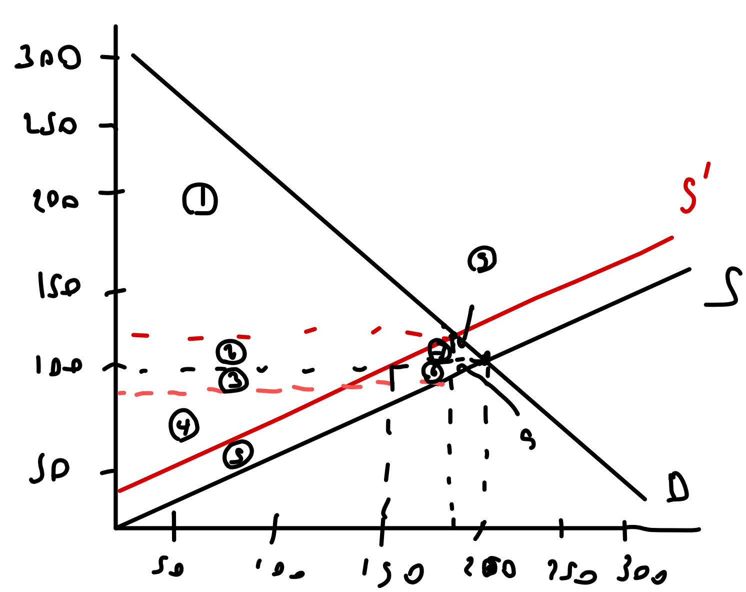
$Q = 200$





b) price is 90 $, quantity demanded is around 175, quantity supplied is around 210, surplus is around 40

c) There is nothing develop cause this graph is price celling d)



The price increase 20$, quantity is around 180 and surplus is around 60