

Answer on Question #62318 – Economics / Macroeconomics

Consider a competitive market with demand given by $P = 100 - 2Q$ and supply given by $P = 10 + Q$.

i. Find competitive equilibrium price and quantity.

Answer: price = 40; quantity = 30

ii. Suppose government introduces as per unit tax of $t = 15$ on producers.

Find the quantity traded in the market after tax. Find the price paid by consumers and price received by producers after tax. Show your results on a diagram.

Answer: price = 50; quantity = 25;

