

3.2 — Market Competition and Surpluses — Practice Problems

ECON 306 - Fall 2020

Monday, October 19, 2020

The supply and demand in the market for tomatoes are estimated to be:

$$q_D = 1000 - 200p$$

$$q_S = 200p - 200$$

1. Calculate the market-clearing price and quantity exchanged.
2. Find the inverse demand function and inverse supply function.
3. Sketch a graph of this market, labelling key points.
4. Calculate the price elasticity of demand and price elasticity of supply (in equilibrium).
5. Calculate the consumer surplus and producer surplus, and shade each on the graph.
6. Who gets greater surplus, consumers or producers, and why?