**Elasticity**

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1. Consumer surplus = 0.5 (21-13)\*80

Consumer surplus = 320$

|  |  |  |
| --- | --- | --- |
|  | Comparative Equilibrium | At 13$ price |
| Consumer surplus | 240$ | 160$ |
| Product surplus | 400$ | 720$ |
| Deadweight loss | none | 40 |

1. a. Initial price = 1.25 dollars
 price after tax= 2.50 dollars

Government tax on each pack = 2.50 - 1.25
= 1.25 dollars

b. Tax paid by consumer = 2.50 – 1.50

= 1.00 dollar

c. Tax paid by producers = 1.50- 1.25

= 0.25 dollar

d. Quantity sold after tax= 18 billion

e. After-tax revenue received by producers = 1.25 dollar

f. tax revenue collected by the government = 1.25\* 18

 =22.5 billion dollar

g. deadweight loss = (1/2\*1.25\*2)

 = 1.25 billion dollars

Determine the market clearing price, market clearing quantity and total clearing economic surplus when marketing clearing is changed.

QD = 5000-100p

QS = -1000+50P

Therefore, = 5000-100p =-1000+50p

=5000+1000 =100p+50p

= 6000 = 150p

P = 6000/150

**P= 40.**

However, QD = 5000-100p

 = 5000-(100\*40)

 = 5000-4000

 QD = **1000.**

 QS = -1000+50p

 = -1000+ (50\*40)

 = -1000 +2000

 = 1000

 **QS = 1000**



The market clearing for is $40, the quantity is 6000 and the economic when the market price charged would be 90.