3.2 — Market Competition and Surpluses — Practice Problems

ECON 306 — Spring 2021

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 elasticty 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?**