

Name:

Five Minute Exercise

Finding a Market Equilibrium

Given:

Market demand: $Q^d = 3200 - 100 \cdot P^d$

Market supply: $Q^s = 200 \cdot P^s$

$P^d = P^s + T$

P^s is the pre-tax price sellers charge

T is a sales tax equal to \$2

P^d is the price buyers pay for the good including the tax

Determine:

The equilibrium quantity exchanged in the market.

Answer: