

# EXERCISE 1

## MINIMUM PRICE

Data:

$$Q_d = 100 - 0,8P$$

$$Q_s = -20 + 0,7P$$

- 1 Draw D and S model
- 2 Draw market equilibrium
- 3 Calculate market equilibrium ( $P_e$ ,  $Q_e$ )
  
- 4 Draw CS, PS, TW
- 5 Write-down formulas CS, PS, TW

6 Calculate CS, PS, TW

Imagine government sets minimum price of €90

7 Draw  $P_{min}$

8 Draw market limitation

9 Draw CS', PS', TW'

10 Write-down formulas CS', PS', TW'

11 Calculate CS', PS', TW'

12 Draw DWL

13 Calculate DWL

|    |  |     |  |
|----|--|-----|--|
| CS |  | CS' |  |
| PS |  | PS' |  |
| TW |  | TW' |  |

$$DWL = TW' - TW =$$