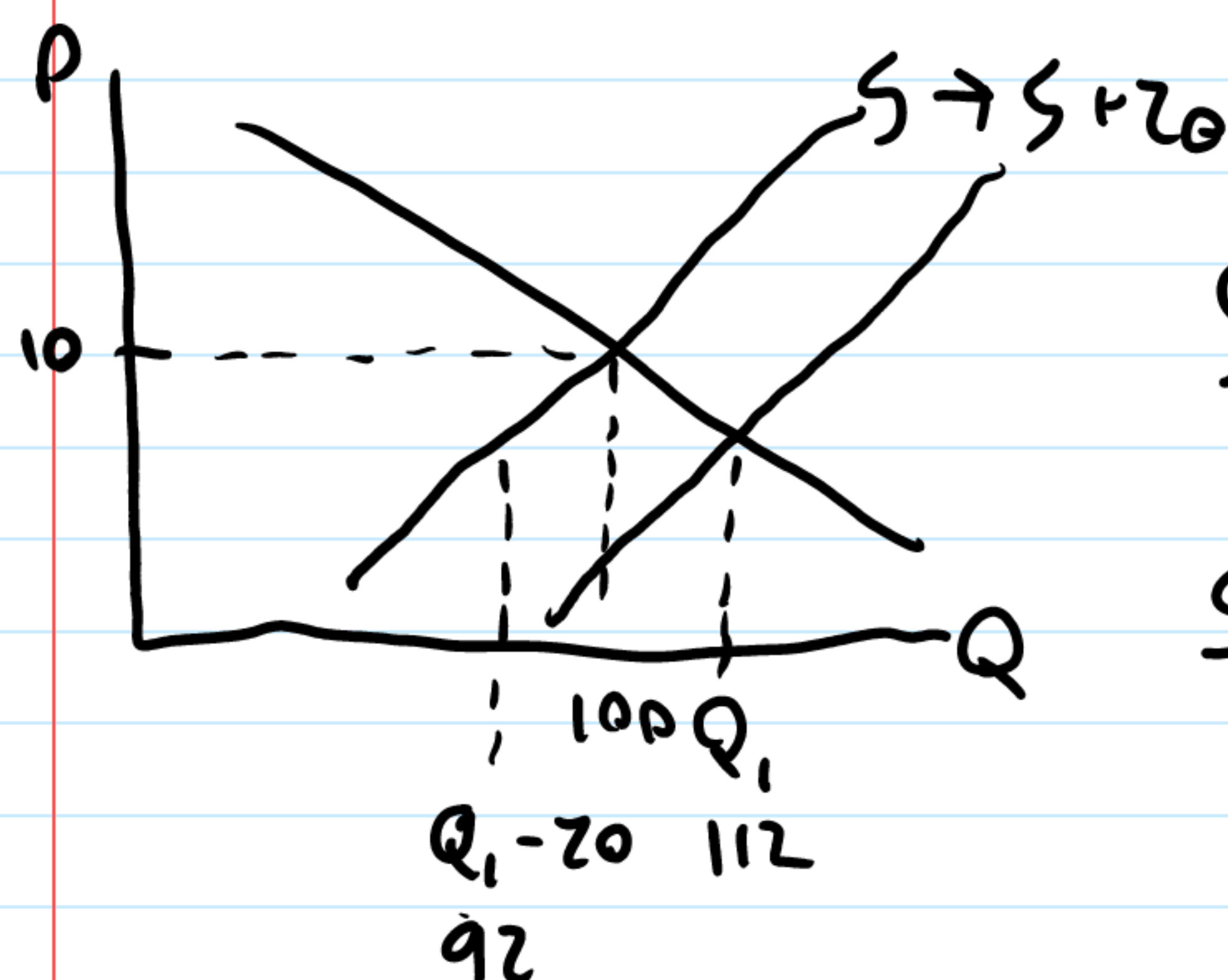


5.4 Efficient Output Markets - Direct Supply - Example

Friday, September 11, 2020 12:35 PM

$$\beta^s = 2, \beta^D = -3, P_a = 10, Q_a = 100, Q^s = 20$$



$$\frac{Q_1 - 100}{P_1 - 10} \cdot \frac{10}{100} = -3 = \beta^D$$

$$\frac{Q_1 - 20 - 100}{P_1 - 10} \cdot \frac{10}{100} = 2 = \beta^S$$

$$\rightarrow \frac{Q_1 - 100}{Q - 120} = -1.5$$

$$Q_1 = 280 / 2.5 = 112$$

$$\frac{12}{P_1 - 10} \cdot \frac{10}{100} = -3 = \beta^D$$

$$(100 \cdot 3.6) + \frac{1}{2} \cdot 12(10 - 6.4) = 360 + 6 \cdot 3.6 = 381.6 = \Delta CS$$

$$\Delta PS = -3.6 \cdot 92 =$$

$$\Delta GS = 6.4 \cdot 12 =$$

$$\Delta SS = 381.6 - 345.6 + (1 - MERB) \cdot 76.8 = 132$$

$$\Delta SS = \Delta CS - \Delta PS + (1 - MERB) \cdot \Delta GS$$