Problem Set #6
Price Controls And Taxes

Tutorial Problems

1. The market of beer is characterized by $MWTP(Q) = 200–2Q$, $MC(Q) = 5 + \frac{Q}{2}$. The government decides to implement a price ceiling of \$24. What is the equilibrium quantity before, and after the price control?

   A. 78, 38
   B. 38, 78
   C. 78, 78
   D. 88, 78
   E. None of the above

2. The market of beer is characterized by $MWTP(Q) = 200–2Q$, $MC(Q) = 5 + \frac{Q}{2}$. The government decides to implement a price ceiling of \$24. The price cap results in a transfer of surplus from:

   A. Consumers to producers
   B. Producers to consumers
   C. Consumers to the government
   D. Producers to the government
   E. None of the above