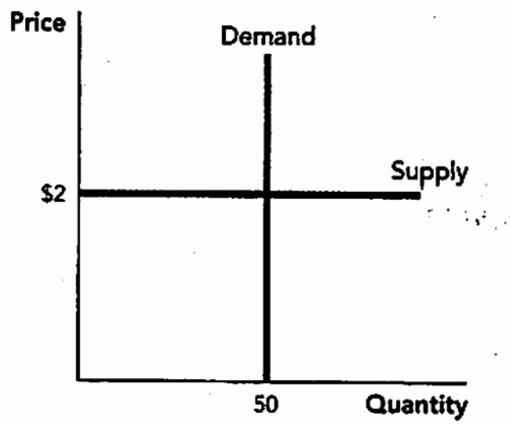
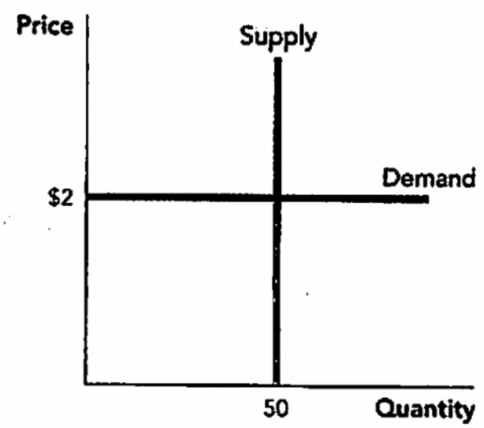
ECO 1311, University of Dallas
Gains from Trade and Welfare Analysis-- Practice Problems

1. Jamie wants to purchase a half-pound burger with cheese from Vincent. Vincent is willing to offer this tasty burger for $3. The most Jamie is willing to pay for the burger is $8 (after all, his girlfriend is Vegan, so he doesn't get many opportunities for a tasty burger).
    a. How large are the potential gains from trade if Jamie and Vincent agree to make this trade?
    b. If the trade takes place at $4, how much producer surplus goes to Vincent? How much consumer surplus goes to Jamie?
    c. If the trade takes place at $7, how much producer surplus goes to Vincent? How much consumer surplus goes to Jamie?
2. For the two diagrams below, calculate the producer and consumer surplus. Assume the curves are perfectly vertical and perfectly horizontal.

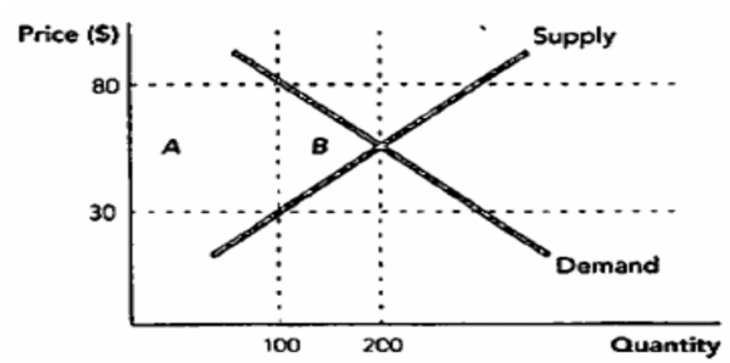




Some problems have been extracted and/or adapted from:

- Cowen, Tyler, and Alex Tabarrok. *Modern principles of microeconomics*. Macmillan International Higher Education, 2015.
- Acemoglu, Daron, David Laibson, and John List. *Economics, global edition*. Pearson, 2015.
- Miller, Roger LeRoy. *Economics Today: The Micro View*. Pearson, 2018.

3. In the market depicted in the figure below, there is either a price floor at \$80 or a price ceiling at \$30. The answer to the question will be the same no matter which you assume. In the chart, there's a rectangle (A) and a triangle (B). One represents the value lost from the deals that don't happen because of the price control and one represents the value lost from the deals that do get made, but get made at a price that is above/below equilibrium price. Which is which?



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