1.) In order to complete part #1 of this assignment you will first need to sketch the following demand and supply curves: Demand is given by P=15-Q and supply is given by P=3+Q. This means the demand curve stretches from the points (0,15) to (15, 0) and the supply curve is a ray emanating from (0,3) with slope of 1 crossing the demand curve at the point (6, 9).

a. Compute the consumer and producer surplus at the equilibrium price.

b. Compute the consumer and producer surplus if a price floor of $12 is imposed on this market.

c. Compute the consumer and producer surplus if a price ceiling of $12 is imposed on this market.

2.) Ben values a latte at $10 and purchases one for $5 from the local cafe whose costs are $3 per latte.

a. How much economic surplus is created as a result of this transaction?

b. What’s Ben’s consumer surplus and what’s the producer surplus gained by the cafe?