

Suppose that the bids are represented in the following table.

Price (\$)	Number of bids
0.50	1
0.25	4
0.55	2
0.75	1
0.30	2
0.40	2
0.60	1
0.10	2

1. Draw the demand curve associated with the bids.
2. Assume that 4 bags of M&Ms are for sale in the market. What is the highest price at which the number of people who want to buy a unit is equal to the number of units.
3. Assuming your answer from question 2, what is the consumer surplus in this market?
4. (Challenge question) Suppose that there is a tax of \$0.10 per bag of M&Ms. From what we have learned so far, how would the tax affect the outcome in the market?