

Tax Incidence – Day 8 Questions

Econ 201/Haworth

The questions below are provided to test your understanding of this day's material.

*To receive credit for this assignment, go to Assignments and find the folder entitled Daily Questions. Inside that folder, you'll find a folder entitled Section 1. Once you're in that folder, click on the link that says **Tax Incidence-Day 8** and complete the assignment. When you are finished, you may submit. Remember that the deadline for submitting this Day 8 Daily Question assignment is Monday, February 6, at 9:00pm.*

1. Assume that in the market for good X, local government levies a per unit tax on suppliers. Over time, if the number of substitutes for good X increases, then this affects the slope of good X's demand curve. Which statement is a true statement about the burden of this tax:
 - a. the change in slope has no effect on the producer burden, but increases the consumer burden
 - b. the change in slope has no effect on the producer burden, but decreases the consumer burden
 - c. the change in slope decreases the consumer burden and increases the producer burden
 - d. the change in slope increases the consumer burden and decreases the producer burden

The equations below correspond with what you will be asked in Questions #2-3.

Demand: $P = 500 - 4Q_D$ (where P = price, Q_D = quantity demanded)

Supply: $P = 200 + 2Q_S$ (where P = price, Q_S = quantity supplied)

2. Assume that a per unit tax is placed on the suppliers of this good. Based on how a per unit tax on suppliers is supposed to affect a market like this, which of the following is most likely post-tax supply curve in this market:
 - a. $P = 300 + 1.5Q_S$
 - b. $P = 100 + 1.5Q_S$
 - c. $P = 350 + 2Q_S$
 - d. $P = 150 + 2Q_S$
 - e. $P = 280 + 2.5Q_S$
 - f. $P = 80 + 2.5Q_S$
3. Assume that an ad valorem tax is placed on the demanders of this good. Based on how an ad valorem tax on demanders is supposed to affect a market like this, which of the following is most likely post-tax demand curve in this market:
 - a. $P = 700 - 6Q_D$
 - b. $P = 400 - 6Q_D$
 - c. $P = 600 - 2.5Q_D$
 - d. $P = 450 - 2.5Q_D$