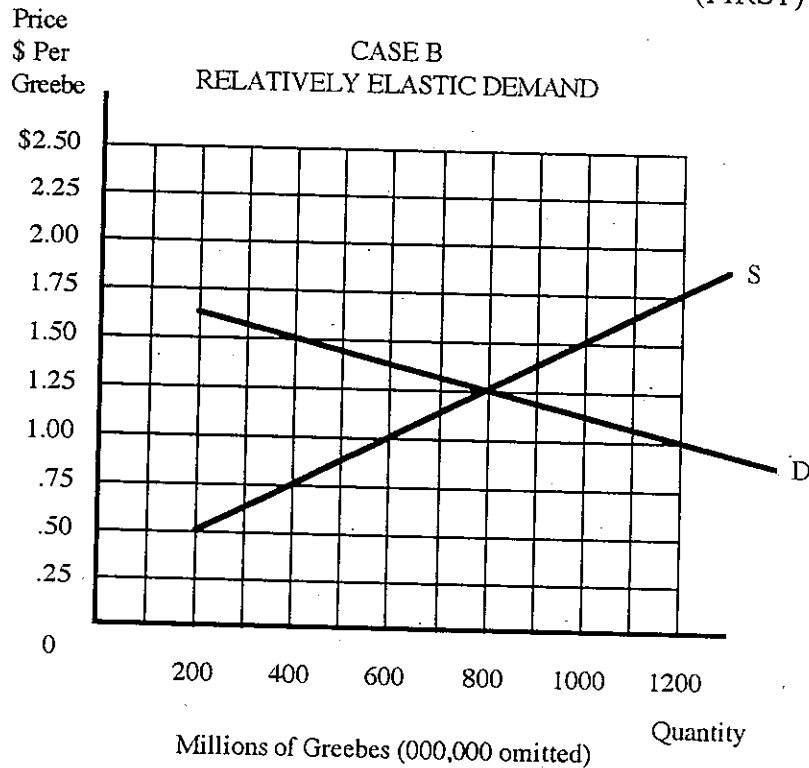


1. On the graph above, the equilibrium quantity of greebes is _____ million.
2. On the graph above, the equilibrium price of greebes is \$ _____ per greebe.
3. Buyers are spending a total of \$ _____ million on greebes.
4. Sellers are receiving a total of \$ _____ million from selling greebes.
5. If an excise tax of \$.75 per greebe sold is levied on the sellers of greebes, the equilibrium price paid by buyers (P_b) will differ from the equilibrium price received by sellers (P_s) by the amount of the tax. This \$.75 goes to the government. Under these circumstances:
 - a) the new equilibrium quantity of greebes would be _____ million.
 - b) the new equilibrium price paid by buyers would be \$ _____ per greebe.
 - c) the new equilibrium price received by sellers (after tax) would be \$ _____ per greebe.
 - d) buyers would spend a total of \$ _____ million on greebes.
 - e) sellers would receive a total of \$ _____ million (after tax) from selling greebes.
 - f) the government revenue from this tax would be \$ _____ million.
 - g) \$ _____ million of this revenue would be paid by buyers in the form of a higher price.
 - h) \$ _____ million of this revenue would be paid by sellers in the form of a lower price.
 - i) as a result of the tax, buyers might buy a smaller quantity than before the tax. If so, the sellers would also have a loss of revenue that is not collected by the government. In this case, the "uncollected revenue loss" would be equal to \$ _____ million.

PRINT YOUR NAME _____

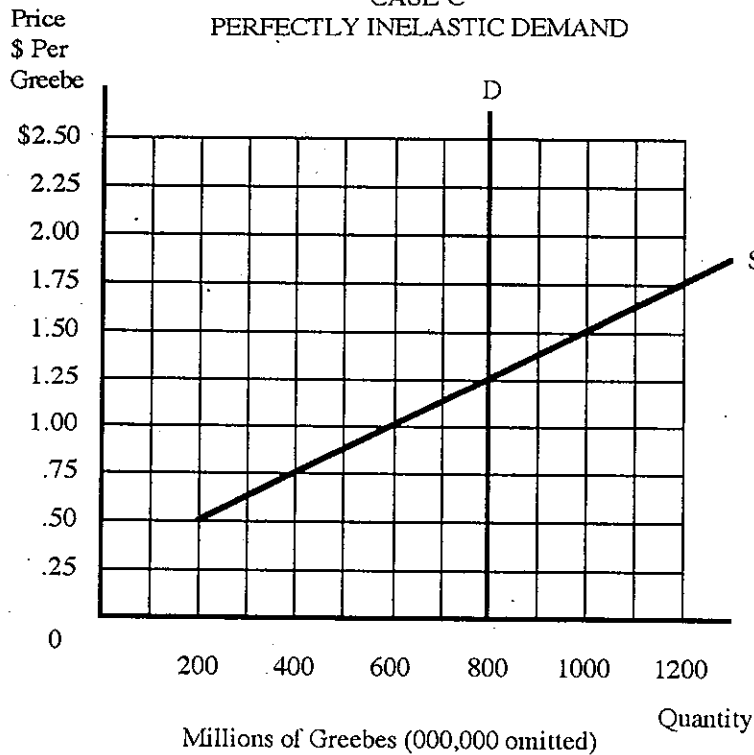
(LAST)

(FIRST)



1. On the graph above, the equilibrium quantity of greebes is _____ million.
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CASE C
PERFECTLY INELASTIC DEMAND

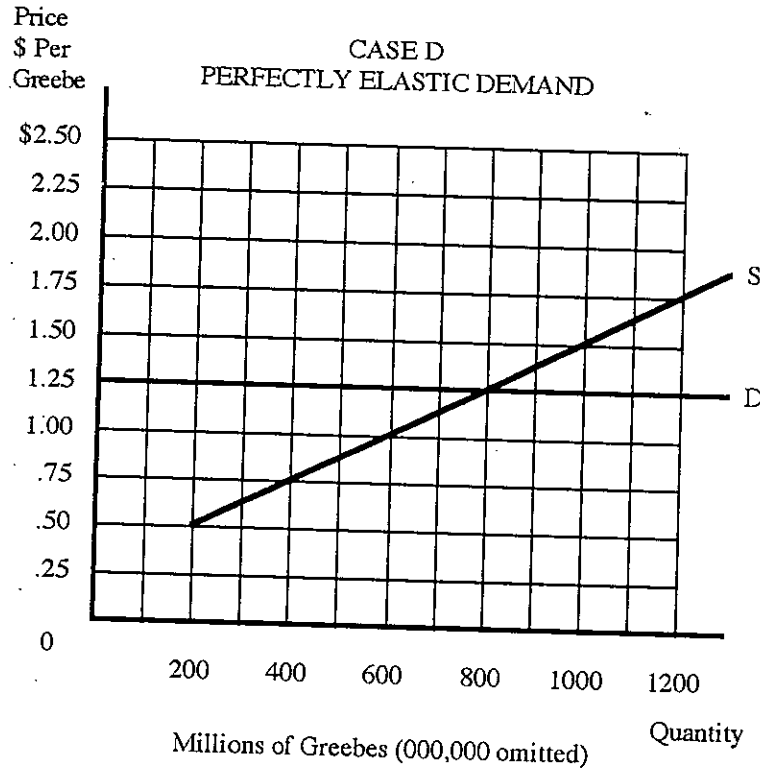


1. On the graph above, the equilibrium quantity of greebes is _____ million.
2. On the graph above, the equilibrium price of greebes is \$ _____ per greebe.
3. Buyers are spending a total of \$ _____ million on greebes.
4. Sellers are receiving a total of \$ _____ million from selling greebes.
5. If an excise tax of \$.75 per greebe sold is levied on the sellers of greebes, the equilibrium price paid by buyers (P_b) will differ from the equilibrium price received by sellers (P_s) by the amount of the tax. This \$.75 goes to the government. Under these circumstances:
 - a) the new equilibrium quantity of greebes would be _____ million.
 - b) the new equilibrium price paid by buyers would be \$ _____ per greebe.
 - c) the new equilibrium price received by sellers (after tax) would be \$ _____ per greebe.
 - d) buyers would spend a total of \$ _____ million on greebes.
 - e) sellers would receive a total of \$ _____ million (after tax) from selling greebes.
 - f) the government revenue from this tax would be \$ _____ million.
 - g) \$ _____ million of this revenue would be paid by buyers in the form of a higher price.
 - h) \$ _____ million of this revenue would be paid by sellers in the form of a lower price.
 - i) as a result of the tax, buyers might buy a smaller quantity than before the tax. If so, the sellers may also have a loss of revenue that is not collected by the government. In this case, the "uncollected revenue loss" would be equal to \$ _____ million.

PRINT YOUR NAME _____

(LAST)

(FIRST)



1. On the graph above, the equilibrium quantity of greebes is _____ million.
2. On the graph above, the equilibrium price of greebes is \$ _____ per greebe.
3. Buyers are spending a total of \$ _____ million on greebe.
4. Sellers are receiving a total of \$ _____ million from selling greebes.
5. If an excise tax of \$.75 per greebe sold is levied on the sellers of greebes, the equilibrium price paid by buyers (P_b) will differ from the equilibrium price received by sellers (P_s) by the amount of the tax. This \$.75 goes to the government. Under these circumstances:
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 - g) \$ _____ million of this revenue would be paid by buyers in the form of a higher price.
 - h) \$ _____ million of this revenue would be paid by sellers in the form of a lower price.
 - i) as a result of the tax, buyers might buy a smaller quantity than before the tax. If so, the sellers may also have a loss of revenue that is not collected by the government. In this case, the "uncollected revenue loss" would be equal to \$ _____ million.

PRINT YOUR NAME _____
(LAST) (FIRST)

CASE E

1. A famous Supreme Court Justice once said, "The power to tax is the power to destroy [sellers]." This is more likely to be true if the demand for the product taxed is relatively (circle one) elastic, inelastic.
2. If a government revenue agent is interested in getting the most tax revenue possible, the best choices for excise taxes are goods whose demand is (circle one) elastic, unit elastic, inelastic.
3. Think of some real world goods on which excise taxes are placed (e.g., liquor, cigarettes, gasoline). Do you think that the demand for these goods is relatively elastic or relatively inelastic? Why?
4. In this homework problem the price elasticity of supply has been held constant in all four cases. How might a change in the price elasticity of supply affect the results of imposing an excise tax? Why?

CASE F

Consider the following newspaper quotation and the questions below. Your instructor may ask you to write brief answers to the questions, and/or thoughtfully consider answers to these questions for class discussion.

"The city is planning to place a 10 percent tax on auto parking."

"The tax would fall on every motorist who uses a space in either the garages and the lots operated by the Public Parking Authority, or in privately operated lots and garages."

1. Draw the demand curve and the long-run supply curve for parking lots. Explain why each has the shape you show -- i.e., why each is relatively elastic or inelastic.
2. Given the curves you have drawn in (1), show the effect of introducing a 10 percent tax -- i.e., how does the equilibrium position after imposition of the tax compare with the initial equilibrium position?
3. The quotation above implies the "burden" of the tax will fall entirely upon the driver. Is this true for the case you have developed in (1) and (2) above? Under what circumstances would it be true?