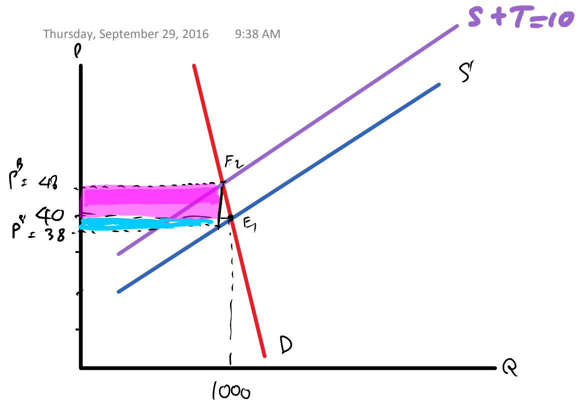
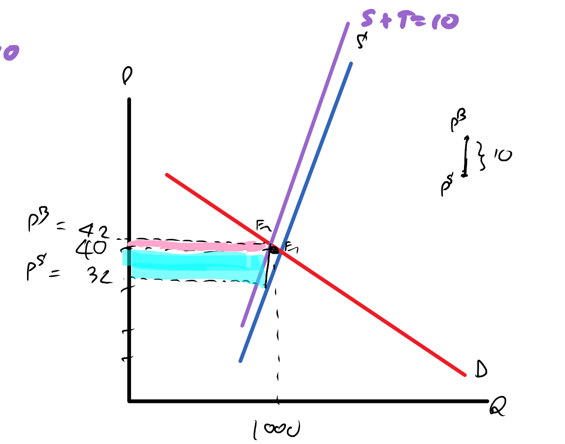
Thursday, September 29, 2016 9:38 AM



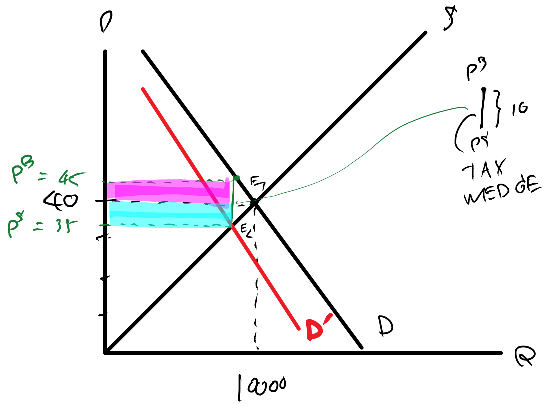


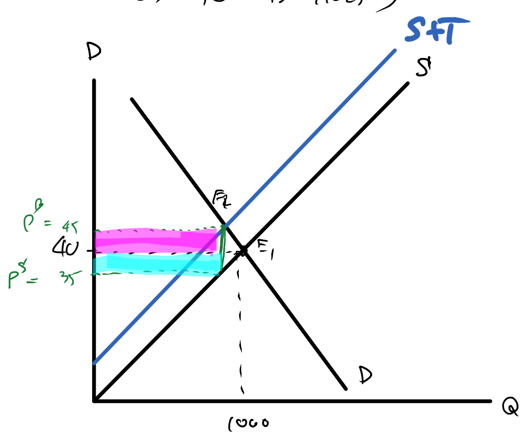
WHEN D IS LESS ELASTIC THAN S, ($|E^D| < E^S$)
BUYERS BEAR HIGHER TAX BURDENS THAN SELLERS

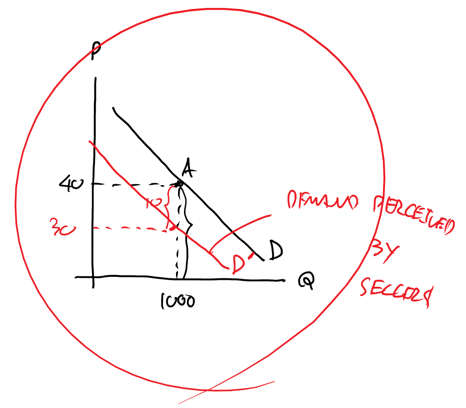
WHEN D IS MORE ELASTIC THAN S ($|E^D| > E^S$),
SELLERS BEAR HIGHER TAX BURDENS THAN BUYERS

CASE 2 EFFECT OF A UNIT TAX IMPOSED ON BUYERS

(STATUTORY INCIDENCE BELONGS TO BUYERS)

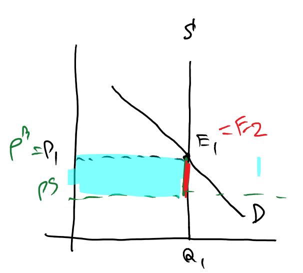




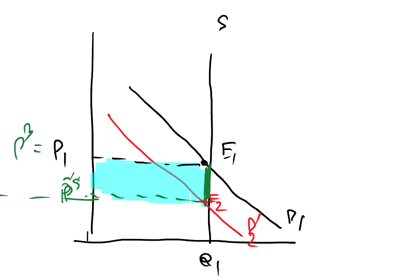


ECONOMIC IMPACT OF TAX CHARGED ON BUYERS (PIC. 1) AND ON SELLERS (PIC. 2) ARE EQUIVALENT !!!

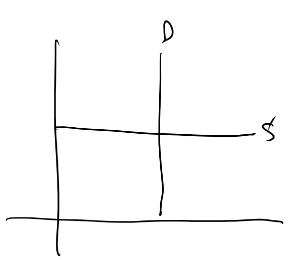
EXERCISE

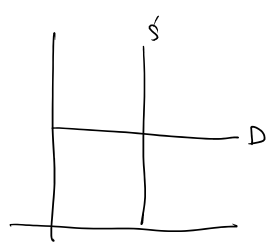


TAX ON SELLERS

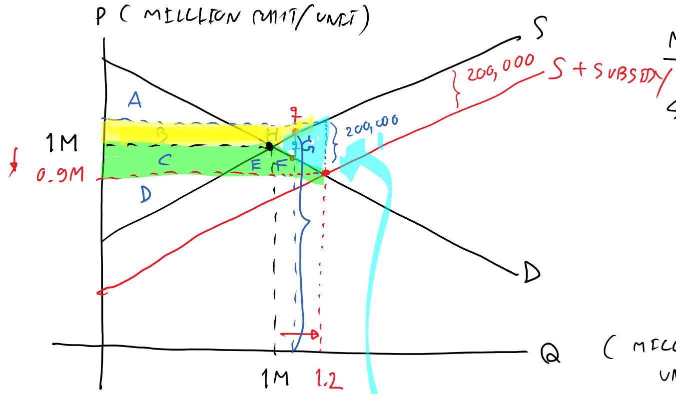


TAX ON BUYERS





EFFECT OF SUBSIDY ON PRODUCERS



MARKET FOR HOUSING

SUBSIDY IS AN AMOUNT OF MONEY GOVT. GIVE TO EACH UNIT OF OUTPUT PRODUCERS PRODUCES.

	B/F	A/F	Δ
CS	A+B	A+B+C+E+F	~~+C+E+F~~
PS	C+D	B+C+D+H	~~+B+H~~
GOVT	–	−B−C−E−F−H−G	~~−B−C−E−F−H~~−G
TS	A+B+C+D		−G DWL