

EE211 Section 1 Quiz 4

Name _____ Last 4 digits ID _____

Answers the following questions with full explanation and graphs.

Suppose the federal government requires beer drinkers to pay a \$2 tax on each case of beer purchased. (In fact, both the federal and state governments impose beer taxes of some sort.)

Draw a supply-and-demand diagram of the market for beer without the tax. Show the price paid by consumers, the price received by producers, and the quantity of beer sold. What is the difference between the price paid by consumer and the price received by producers?

Now draw a supply-and demand diagram for the beer market with the tax. Show the price paid by consumers, the price received by producers, and the quantity of beer sold. What is the difference between the price paid by consumer and the price received by producers? Has the quantity of beer sold increased or decreased?