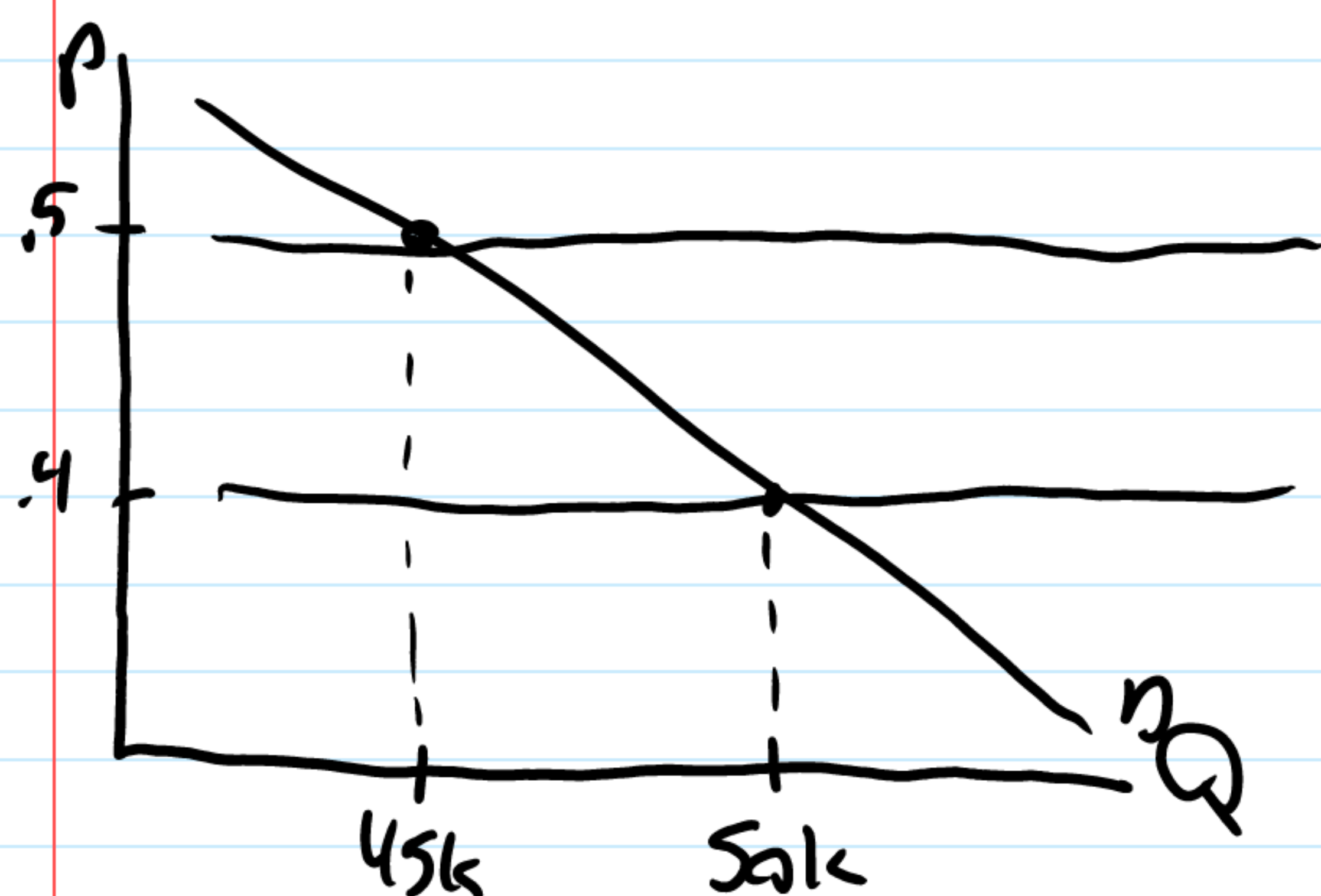


Passed Solution Review

Suppose the government is considering an increase in the toll on a certain stretch of highway from \$.40 to \$.50. At present, 50,000 cars per week use that highway stretch; after the toll is imposed, it is projected that only 45,000 cars per week will use the highway stretch.

Assuming that the marginal cost of highway use is constant (i.e., the supply curve is horizontal) and equal to \$.40 per car, what is the social change in surplus attributable to the increase in the toll? (Hint: the toll increase will cause the supply curve, not the demand curve, to shift.)



$$\Delta SS = \frac{1}{2} (.5 - .4) (50 - 45)$$

$$= \frac{1}{2} (.1) (5)$$

$$= .05 \cdot 5$$

$$= .25k = 250 = \Delta SS$$