Impacts in distorted secondary markets

<u>Example 1</u>

$x/ gallon

Reg. $\rightarrow q_i'$ decrease in gas consumption

To Δgs add xq_i'

<u>Example 2</u>

Good A is taxed, B is not

-Add tax in A
 A & B are complements

consumption of B↓ (price unchanged)

add to ΔGS loss of tax rev in B