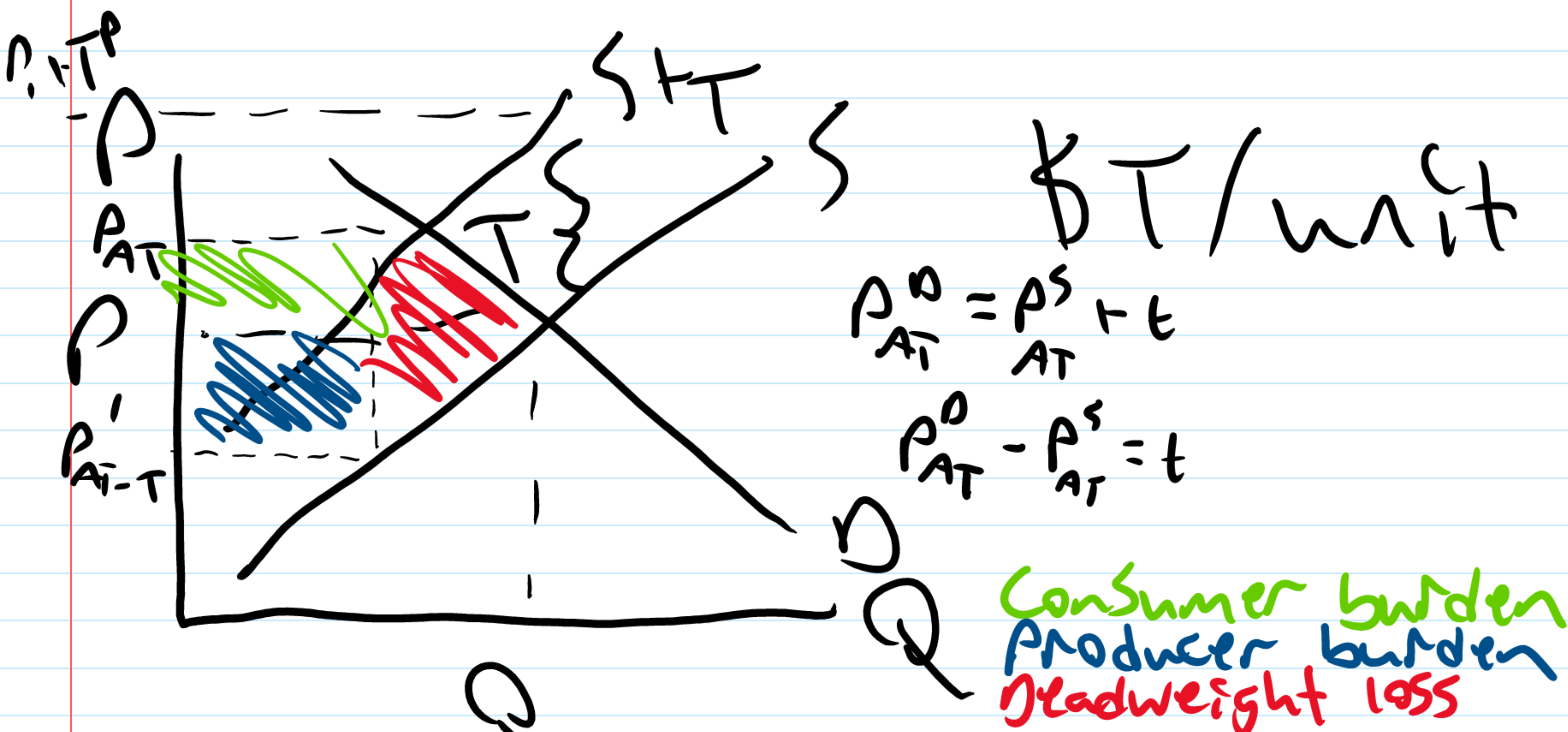


3.11 Tax Burden

Tuesday, September 1, 2020

7:16 PM



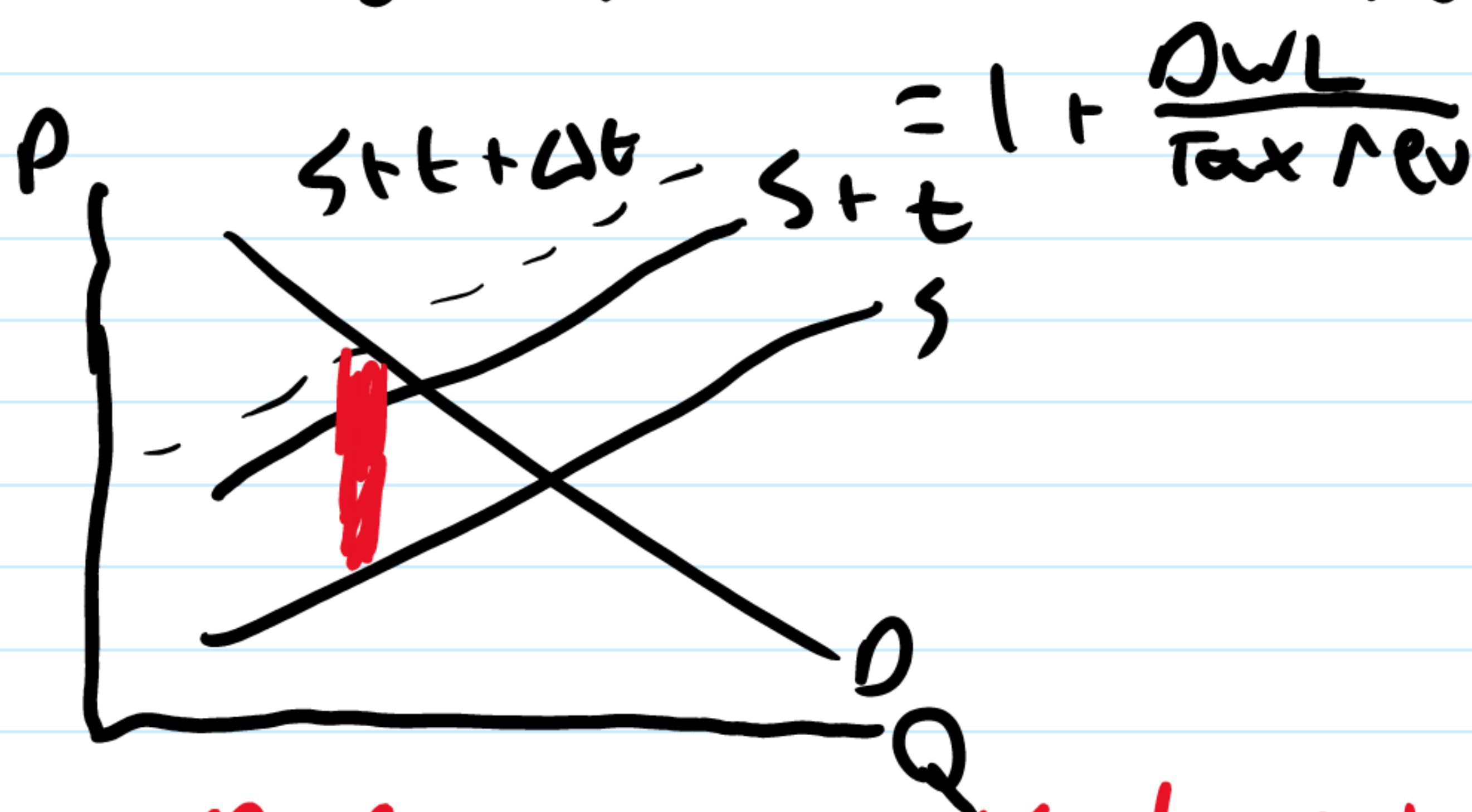
$$CB = (P_{AT}^D - P_i) Q_{AT}$$

$$PB = (P_i - P_{AT}^S) Q_{AT}$$

$$\text{Tax Rev} = (P_{AT}^D - P_{AT}^S) Q_{AT} = t \cdot Q_{AT}$$

Taxes distort outcomes

$$\frac{CB + PB + DWL}{CB + PB} = \frac{\text{Tax Revenue} + DWL}{\text{Tax Rev}}$$



DWL = excess burden

MEBT =

MEBT > 0

↳ why have taxes?

$$\Delta SS = \Delta CS + \Delta PS + (1 + \lambda) \Delta GS$$

Taxes destroy allocative efficiency