

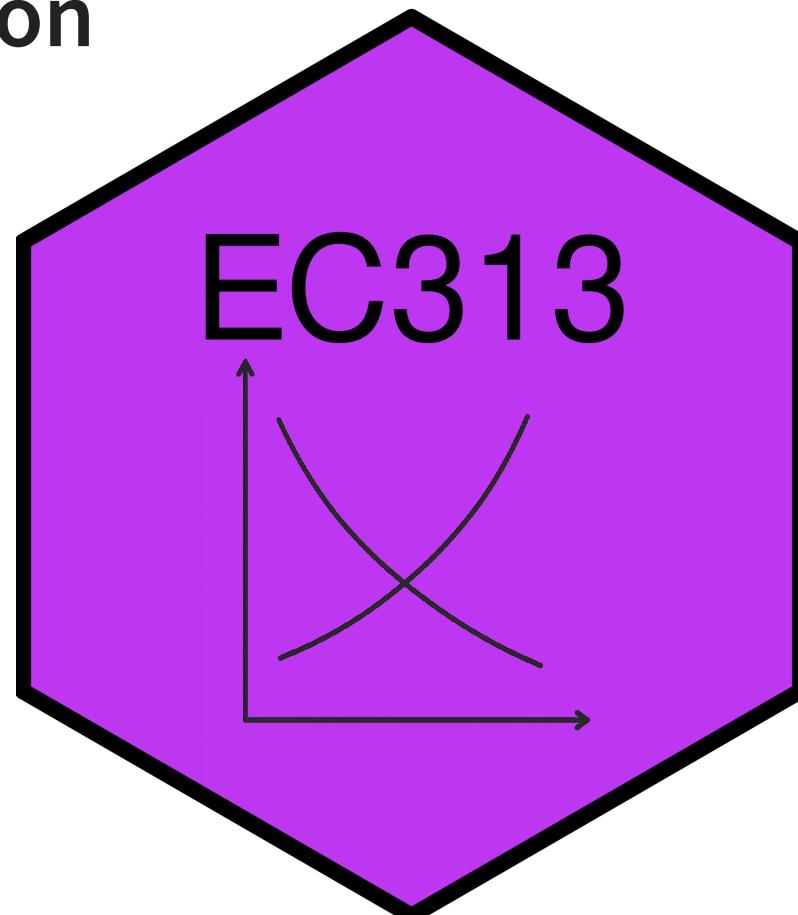
Taxation and Efficiency In-Class Questions

EC313- Public Economics: Taxation

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RTTWS Chapter 15 Problem 2

Describe how the shape of an individual's indifference curve affects the magnitude of a tax's excess burden. What does this tell you about how the degree of substitutability between the taxed item and the other item matters for the efficiency of taxation?

RTTWS Chapter 15 Problem 5

Which of the following is likely to impose a large excess burden?

- a) A tax on land





RTTWS Chapter 15 Problem 5

Which of the following is likely to impose a large excess burden?

- b) A subsidy on personal computers



RTTWS Chapter 15 Problem 5

Which of the following is likely to impose a large excess burden?

- c) A tax of \$75 on smartphones



RTTWS Chapter 15 Problem 5

Which of the following is likely to impose a large excess burden?

- d) A subsidy on investment in high tech companies?



RTTWS Chapter 15 Problem 5

Which of the following is likely to impose a large excess burden?

- e) A 5% tax on bottled water



RTTWS Chapter 15 Problem 5

Which of the following is likely to impose a large excess burden?

- f) A 10% tax on all computer software



RTTWS Chapter 15 Problem 6

Suppose the market demand curve for beer is described by the equation $Q_d^b = 600 - 15P_b^d$ where (Q_d^b) is the number of cases of beer and (P_b^d) is the price per case. The supply curve is given by $Q_s^b = 10P_b^s$

- Calculate the elasticities of demand and supply at the equilibrium quantity.

RTTWS Chapter 15 Problem 6

- b. Suppose the government introduces an excise tax of 15 percent per case of beer. Determine the excess burden of this tax using the formula found in footnote 7 and the elasticities found in part (a).



RTTWS Chapter 15 Problem 6

c. Calculate the tax revenues and the average excess burden.



RTTWS Chapter 15 Problem 11

Setting a price ceiling for a good below the market price results in an excess burden.

Demonstrate this by using supply and demand curves. In addition, show how the imposition of a tax on a substitute good, by affecting the demand for the good with a price ceiling, increases the excess burden.

