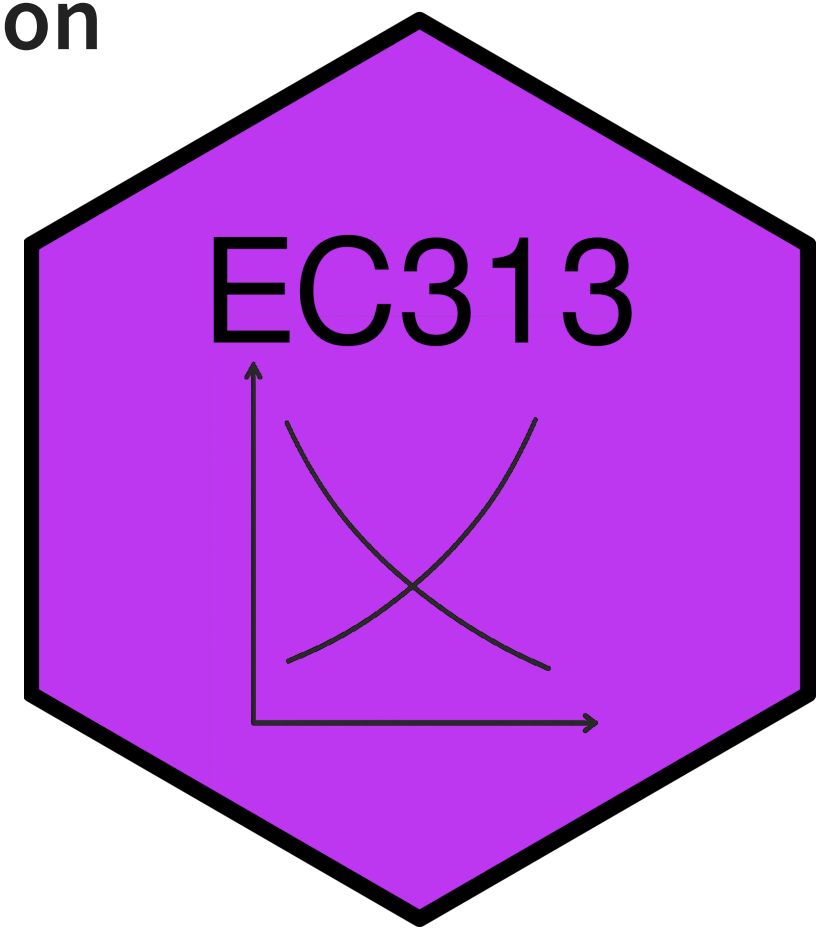
Efficient and Equitable Taxation In-Class Questions

EC313- Public Economics: Taxation

Justin Smith

Wilfrid Laurier University

Fall 2025



RTTWS Chapter 17 Problem 3

A study by Dahlby and Ferede (2015) provides estimates of the marginal excess burden or additional dollar of revenue in the Canadian provinces (in 2013). For Manitoba, it is 1.207 for the corporate income tax and 0.364 for the general sales tax. Based on these estimates, use the Ramsey rule to propose a direction for tax reform that would reduce the excess burden from taxation while maintaining revenue neutrality. Explain your reasoning.

RTTWS Chapter 16 Problem 4

The demand for X is given by $X = 100 - 2P_x$, and its supply is perfectly elastic at $P_x = 14$. The demand for Y is given by $Y = 350 - 3P_y$, and its supply is perfectly elastic at $P_y = 18$. The government wishes to raise $10,000$ by imposing specific taxes t_x on X and t_y on Y. If it wishes to minimize the total ratio of taxes, t_x/t_y, according to the inverse elasticity rule, what should this ratio be?

RTTWS Chapter 16 Problem 5

Indicate which of the following statements is true, false, or uncertain, and explain why:

a. A proportional tax on all commodities, including leisure, is equivalent to a lump-sum tax.

RTTWS Chapter 16 Problem 5

Indicate which of the following statements is true, false, or uncertain, and explain why:

b. Efficiency is maximized when all commodities are taxed at the same rate.

RTTWS Chapter 16 Problem 5

Indicate which of the following statements is true, false, or uncertain, and explain why:

c. Average cost pricing for a natural monopoly allows the enterprise to break even, but the outcome is inefficient.