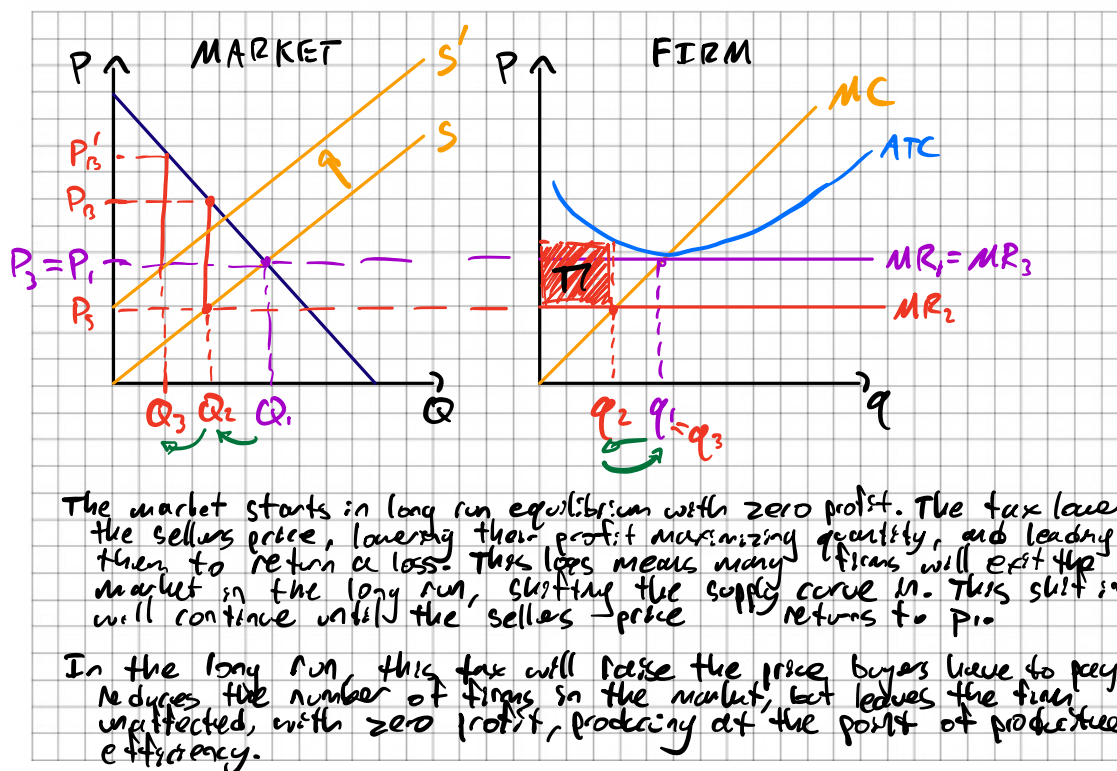


Econ 0100 | Classwork E2

Due in Recitation

Question 1 (of 2) | Traditional Toffee Specific Tax

Due to longstanding tradition, all toffees are made the same way, anyone could easily start making them, and the number of toffee makers had been constant over the past couple of years. This changed when the Ministry imposed a specific (*i.e. per-unit*) tax on all toffee sales. Using a couple of graphs to illustrate your answer, explain what happened in the market because of this tax.



Question 2 (of 2) | Traditional Toffee Lump-Sum Tax

How would this story have gone if the Ministry had instead imposed a lump sum tax on all toffee sales? Using a couple of graphs to illustrate your answer, explain what happened in the market because of this tax.

