

Experiment 6 Section 3

Problem 6.1

Table 6.7: Experimental Results in Session 1

Mean Price	\$23.24
Number of Lawn Ornaments Sold	21
Total Profits of Sellers from Transactions	\$125.00
Total Profits of Buyers from Transactions	\$207.00
Total Cost of Pollution	\$415.80
Total Profits of All Residents, Net of Pollution Costs	-\$83.80

Problem 6.2

Table 6.8

Mean Price	\$32.00
Number of Lawn Ornaments Sold	12
Total After-Tax Profits of Sellers from Transactions	-\$27.00
Total Profits of Buyers from Transactions	\$61.00
Total Tax Revenue	\$240.00
Total Cost of Pollution	\$237.60
Total Profits and Tax Revenue of All Residents, Net of Pollution Costs	\$36.40

Problem 6.3

Table 6.9: Experimental Results in Session 3

Mean Price of Ornaments	\$30.59
Mean Price of Permits	\$10.36
Number of Lawn Ornaments Sold	11
Profits of Lawn Ornament Sellers from Transactions	\$64.50
Profits of Lawn Ornament Buyers From Transactions	\$83.50
Total Revenue of Permit Sellers	\$114.00
Total Cost of Pollution	\$217.80
Total Profits of All Residents, Net of Pollution Costs.	\$44.20

Figure 6.5

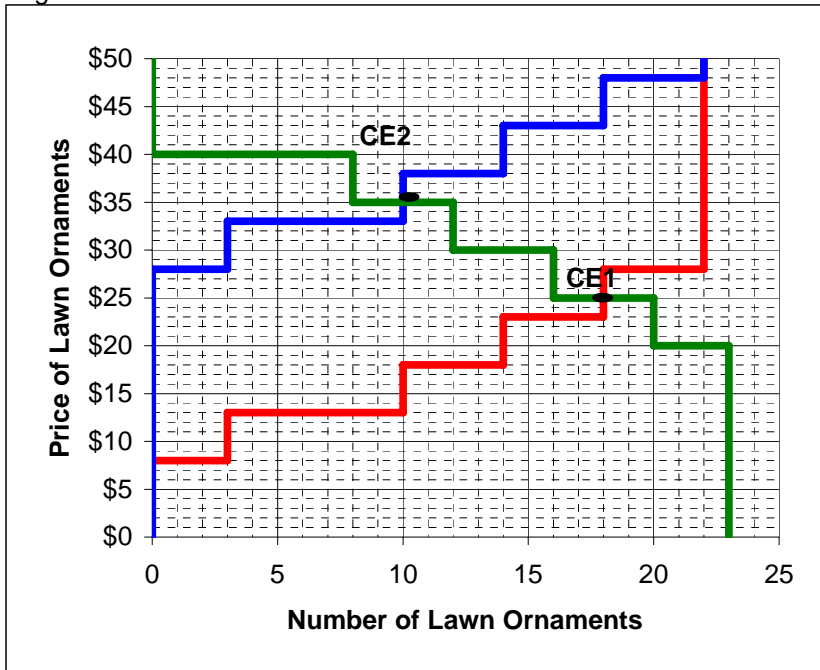


Table 6.10: Predictions of the Theory: Session 1

Mean Price	\$25
Number of Lawn Ornaments Sold	18
Total Profits of Sellers from Transactions	\$171.00
Total Profits of Buyers from Transactions	\$180.00
Total Cost of Pollution	\$356.40
Total Profits	-\$5.40

Problem 6.6

- Part a) Shifts the supply curve up by \$20.
 Part b) No effect on demand curve.

Problem 6.7

Table 6.11: Predictions of the Theory-Session 2

Mean Price	\$35.00
Number of Ornaments Sold	10
Total Profits of Buyers	\$40.00
Total Profits of Sellers	\$35.00
Total Tax Revenue	\$200.00
Total Cost of Pollution	\$198.00
Total Profits and Tax Revenue of All Residents, Net of Pollution Costs	\$77.00

The total income of all residents is higher when the pollution tax is imposed.

Problem 6.8

Competitive equilibrium prediction for price of ornaments is \$35.00
 Competitive equilibrium prediction for quantity of ornaments is 11

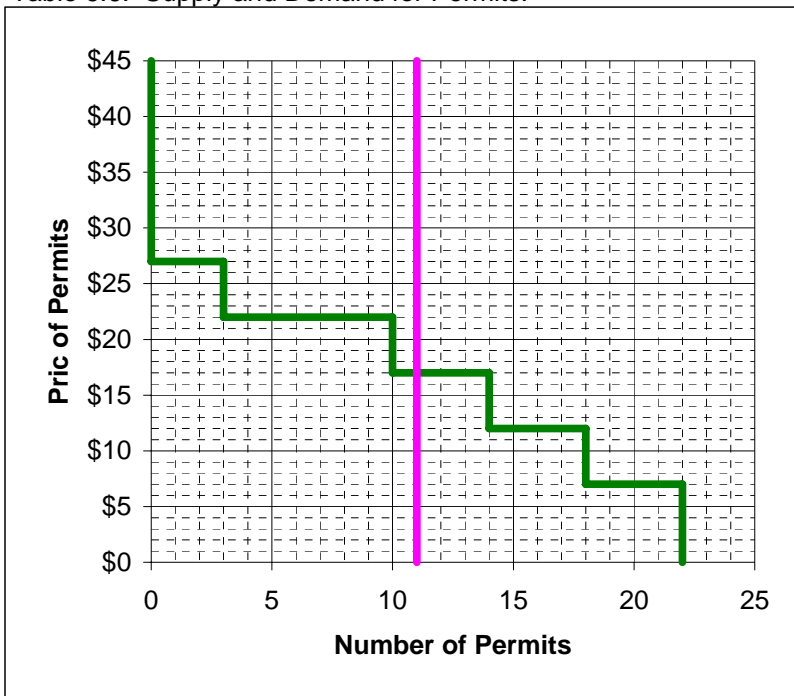
Problem 6.9

Table 6.12: Willingness to Pay for Pollution Permits

Seller Cost	Number in Market	Willingness to Pay for a Permit
8	3	\$27.00
13	7	\$22.00
18	4	\$17.00
23	4	\$12.00
28	4	\$7.00

Problem 6.10

Table 6.6: Supply and Demand for Permits.



These curves intersect where the price of permits is \$17