

Experiment 3, Section 3

Problem 3.1

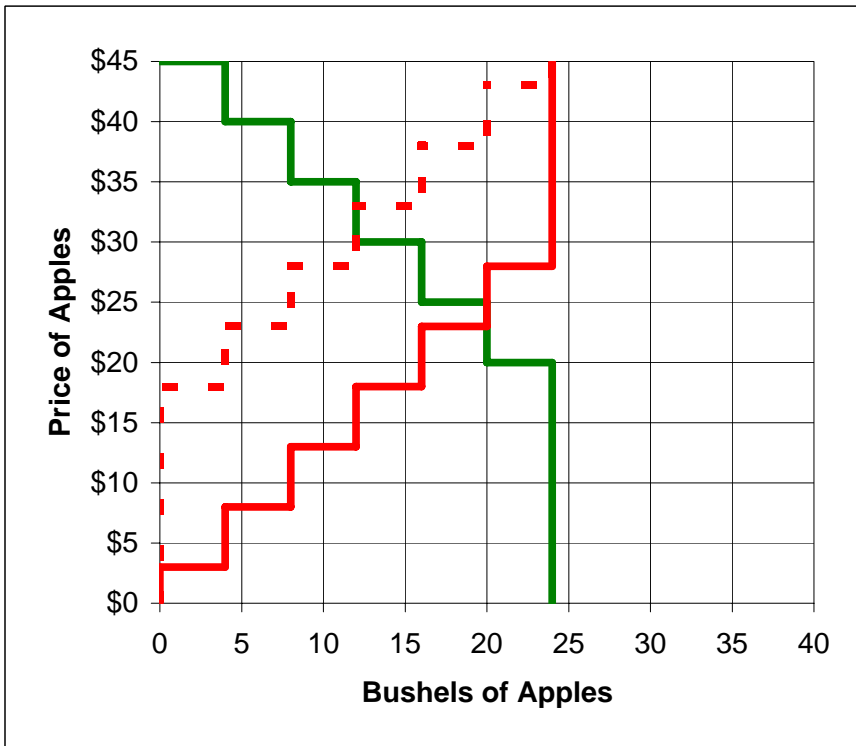
- Part a) rise, less than
- Part b) fall, less than
- Part c) 225
- Part d) about the same as

Problem 3.2

- Part a) fall, less than
- Part b) rise, less than
- Part c) 210
- Part d) more than

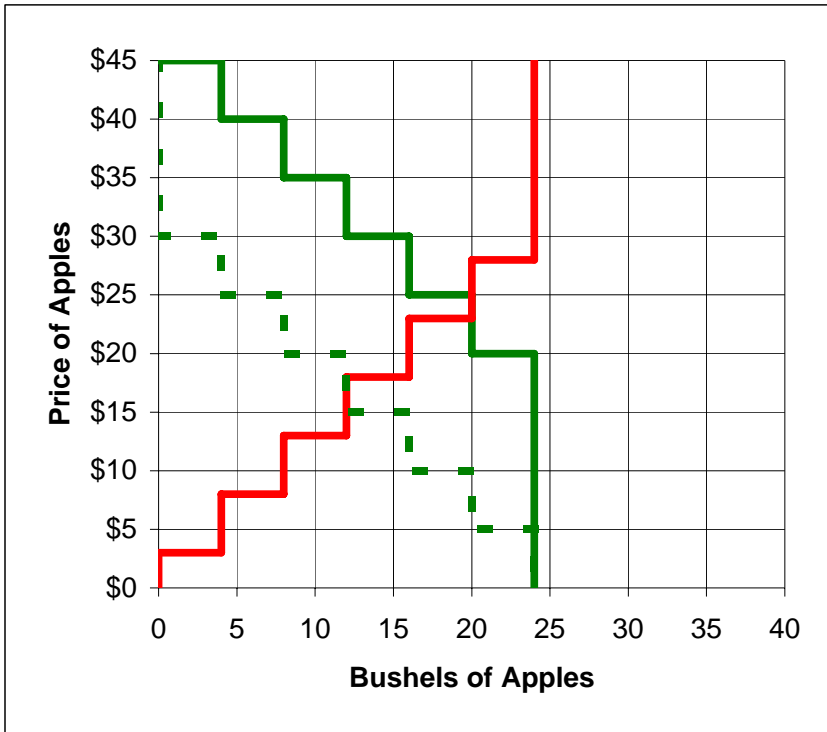
Problem 3.3

Table 3.7: Effects of a Sales Tax on Suppliers



Problem 3.4

Figure 3.8: Effect of a Sales Tax on Demanders



In this exercise, the competitive equilibrium price may fall in a discrete range. If that occurs, the mean price in the table below presents that range, and the profits to buyers and sellers are calculated using the midpoint of that range.

Problem 3.5

Table 3.8 Competitive Equilibrium Predictions

	No Tax (Session 1)	Sellers Pay Tax (Session 2)	Buyers Pay Tax (Session 3)
Mean Price	\$24.00	\$30-\$33	\$15-\$18
Number of Transactions	20	12	12
Total Profit of Buyers	\$220.00	\$102.00	\$102.00
Total Profits of Sellers	\$220.00	\$102.00	\$102.00
Total Taxes Collected	\$0.00	\$180.00	\$180.00
Total of Profits Plus Taxes	\$440.00	\$384.00	\$384.00
Excess Burden		\$56.00	\$56.00

Problem 3.6

Table 3.9 Comparing Theory and Experiment

	Sellers Pay Tax (Session 2)		Buyers Pay Tax (Session 3)	
	Cmp. Prediction	Exp. Outcome	Comp. Prediction	Exp Outcome
Mean Price	\$30-\$33	\$31.07	\$15-\$18	\$17.46
Number of Transactions	12	15	12	14
Total Profit of Buyers	\$102.00	\$99.00	\$102.00	\$80.50
Total Profit of Sellers	\$102.00	\$91.00	\$102.00	\$92.50
Total Taxes Collected	\$180.00	\$225.00	\$180.00	\$210.00
Total of Profits Plus Taxes	\$384.00	\$415.00	\$384.00	\$383.00
Excess Burden	\$56.00	-\$9.00	\$56.00	\$23.00

Problem 3.7

- Part a). Decrease price to \$30.
- Part b). No effect.
- Part c). No effect.
- Part d). Decrease profits by \$20,000
- Part e). No excess burden

Problem 3.8

- Part a). No effect.
- Part b). None.
- Part c). Increase price by \$20.
- Part d). None.