Wilf Csaplar Jr.   Economics 162   Homework #4   **Due Friday 9/25**

Place your name on the back of this sheet of paper and nowhere else. Staple your answers face up on the front of this sheet of paper. Failure to follow these directions will cost you 1 point. Your assignment will be typed, except graphs can be drawn by hand and mathematical equations can be done by hand. Failure to type it will cost you 10 points. If you use double-sided printing or print on the back of scrap paper, I will give you one additional point.

1) (20 points) Use the table to the right to calculate the marginal tax rate, total taxes paid, and average tax rate for a person earning $100,000. Show all work and if there is no work, state how you found the answer.

2) (25 points) Draw the supply and demand for gasoline where the demand curve is steep and the supply curve is flat. Illustrate the effects of a tax on gasoline. Explain why the curve(s) moved as drawn. <u>As drawn</u>, who pays most of the tax? Explain how you reached that conclusion.

Tax Bracket	Tax Rate
$0 - $20,000	15%
$20,000 - $60,000	25%
$60,000 - $120,000	40%
> $120,000	50%

3) (20 points) Explain the economic reasoning as to how increasing a tax can bring in less revenue. Use a mathematical example to illustrate the point you are making.

4) (10 points) I said the many sales taxes are regressive taxes. Why do I feel that?

5) (25 points) What is the problem facing Social Security? Why has that happened? One of the proposals for solving it is to raise the retirement age. How would that reduce the problem? Would you use that as part of the plan to save it? Explain your logic.