Wilf Csaplar Jr.   Economics 260   Homework #7   **Due Friday 10/27**

Place your name on the back of this sheet of paper and nowhere else. Staple your answers on the front of this sheet of paper. Failure to follow these directions will cost you 10 points. 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) (10 points) Explain what public goods are and why they mean that we need the government to supply them.

2) (10 points each) For each of the following, explain what it means and why we would want a tax to have that quality.
A) large tax base
B) causes small distortions (efficient tax system)
C) low cost of administrating
D) progressive rather than regressive

3) (20 points) Draw the supply and demand for a good with a steep supply curve and a flat demand curve. Illustrate the effects of a tax. Explain why the curve(s) moved as drawn. Does the producer pay most of the tax or do the consumers? Explain your logic.

4) (10 points each) For each of the following taxes, explain one reason why it is a good tax and one reason why it is a bad tax. (You may want to refer to Question #2.)
A) a tax on food.
B) a tax on imports
C) an income tax