Wilf Csaplar Jr.   Economics 162   Homework #4   **Due Friday 9/28**

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 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) (15 points) Suppose a person is earning $100,000 a year and facing the tax brackets in the table to the right. Find their marginal tax rate, total taxes paid, and average tax rate. Show all work. If there is no work, then explain how you got your answer.

Bracket	Rate
$0 - $30,000	10%
$30,00 - $60,000	20%
$60,000 - $90,000	30%
>$90,000	40%

2) (15 points) In class, we drew the Laffer Curve. Draw the curve and explain why it takes its shape.

3) (25 points) Draw the supply and demand for a good which has a flat demand curve and a steep supply curve. Illustrate the effects of a tax on the good. Explain why the curve(s) moved as drawn. What happens to the price the consumers pay, the price the producers receive, and the quantity sold? Who pays most of the tax? Explain your logic.

4) (15 points) Why don't we want to be at the top of the Laffer Curve?

5) (15 points) I argued that most sales taxes are regressive. Explain my logic.

6) (15 points) Suppose the citizens of a state buy 100 shirts a day. Suppose the government imposes a $3 per shirt tax. What can we say about the amount of tax revenue the government will get? (For example, you might say "exactly $700" or "less than $700" or "more than $700". Obviously, you have to figure out what number should be in the statement where I put $700.) Explain your logic.