

time = 50 minutes

Do **all 3** questions. All questions count equally.

1. True, false, or uncertain? “A monopoly will shift more of a tax onto buyers than a competitive industry.” Explain briefly.

2. What are the key assumptions underlying the Harberger model of general equilibrium tax incidence?

3. What, approximately, would be the excess burden of a 20 percent tax on food consumption, levied on a person whose *compensated* demand curve for food had the equation

$$Q_F = \frac{30}{P_F}$$

where  $P_F$  was the ( tax included ) price of food she faces, and  $Q_F$  was the quantity of food she chose to consume, if the cost of food ( exclusive of tax ) was \$5 per unit?