

time = 50 minutes

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

1. How would the burden of a 100% tax (expressed as a fraction of the “before-tax” price) be split between buyers and sellers, in a perfectly competitive market in which the quantity demanded is

$$Q^D = 75 - 2(P^D)^2$$

and the quantity supplied is

$$Q^s = (p_s)^2$$

where P^D is the price paid by buyers and p_s is the price received by sellers?

2. Describe, as precisely as possible, the incidence of a proportional tax on all wages and salaries paid in service industries.

3. Is the local property tax a regressive tax, or a progressive tax? Explain your answer.