

time = 60 minutes

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

1. What would be the incidence of a \$2 unit tax in a perfectly competitive market in which the demand curve had the equation

$$Q^d = \frac{30}{P^D}$$

and the supply curve had the equation

$$Q^s = 4 - \frac{10}{p_s}$$

where Q^D is the total quantity demanded of the good, Q^s is the total quantity supplied of the good, P^D is the price paid by buyers and p_s is the price received by sellers?

2. What would be the incidence of replacing the Canadian federal goods and service tax (GST) with a payroll tax [i.e. a proportional tax on people's labour income] which raised the same amount of revenue? Explain your answer.

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