

[CH. 6] GOV'TS + MARKET

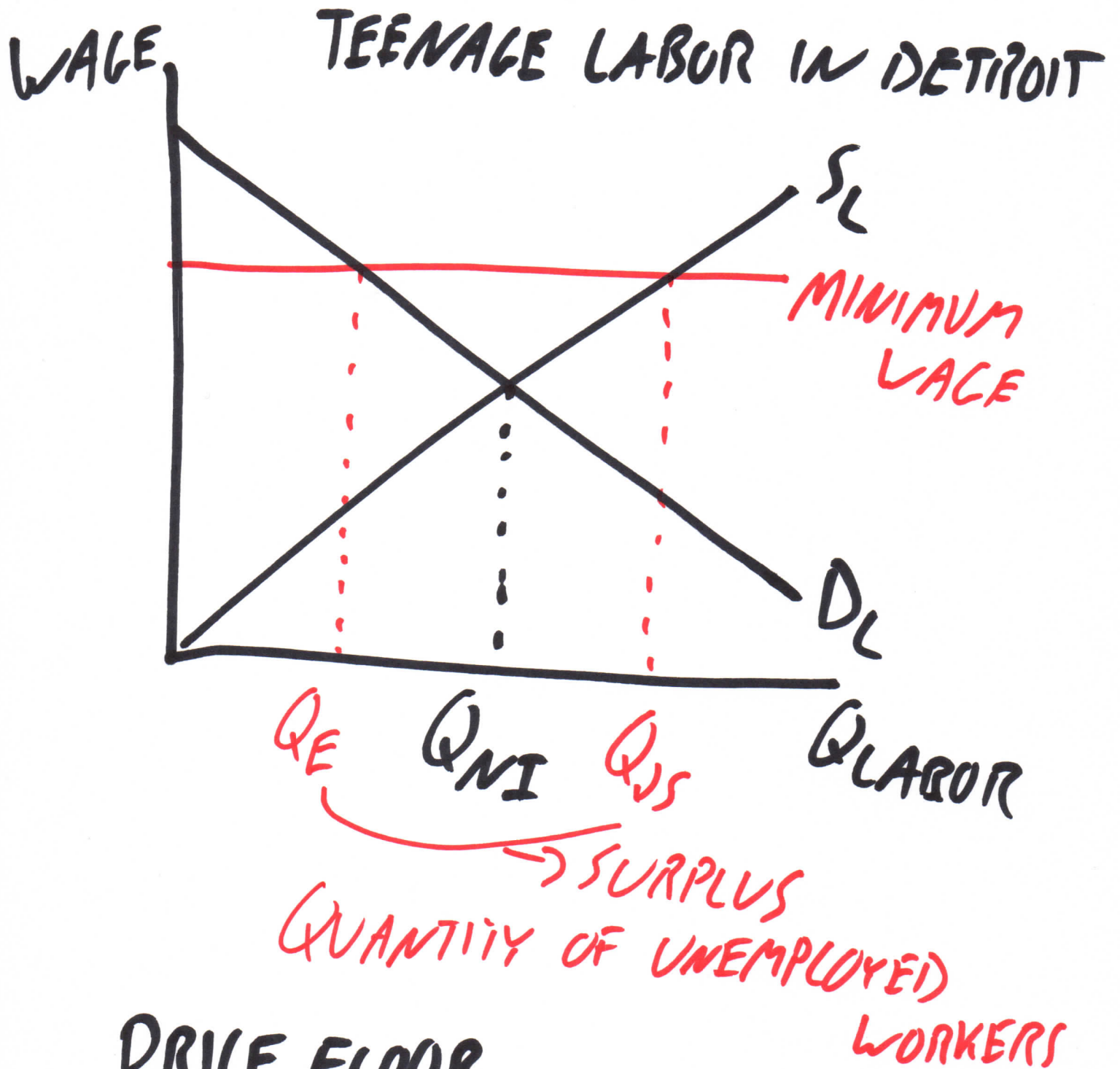
WHY THERE SHOULD ^{BE} NO INTERFERENCE

- ① INEFFICIENT OUTCOMES
 - INSIDE PPF
- ② SLOW, UNTIMELY ACTION
- ③ CORRUPTION + BLACK MARKETS

WHY SHOULD THERE BE INTERFERENCE

- * ① EXTERNALITIES
- ② IMPERFECT INFORMATION

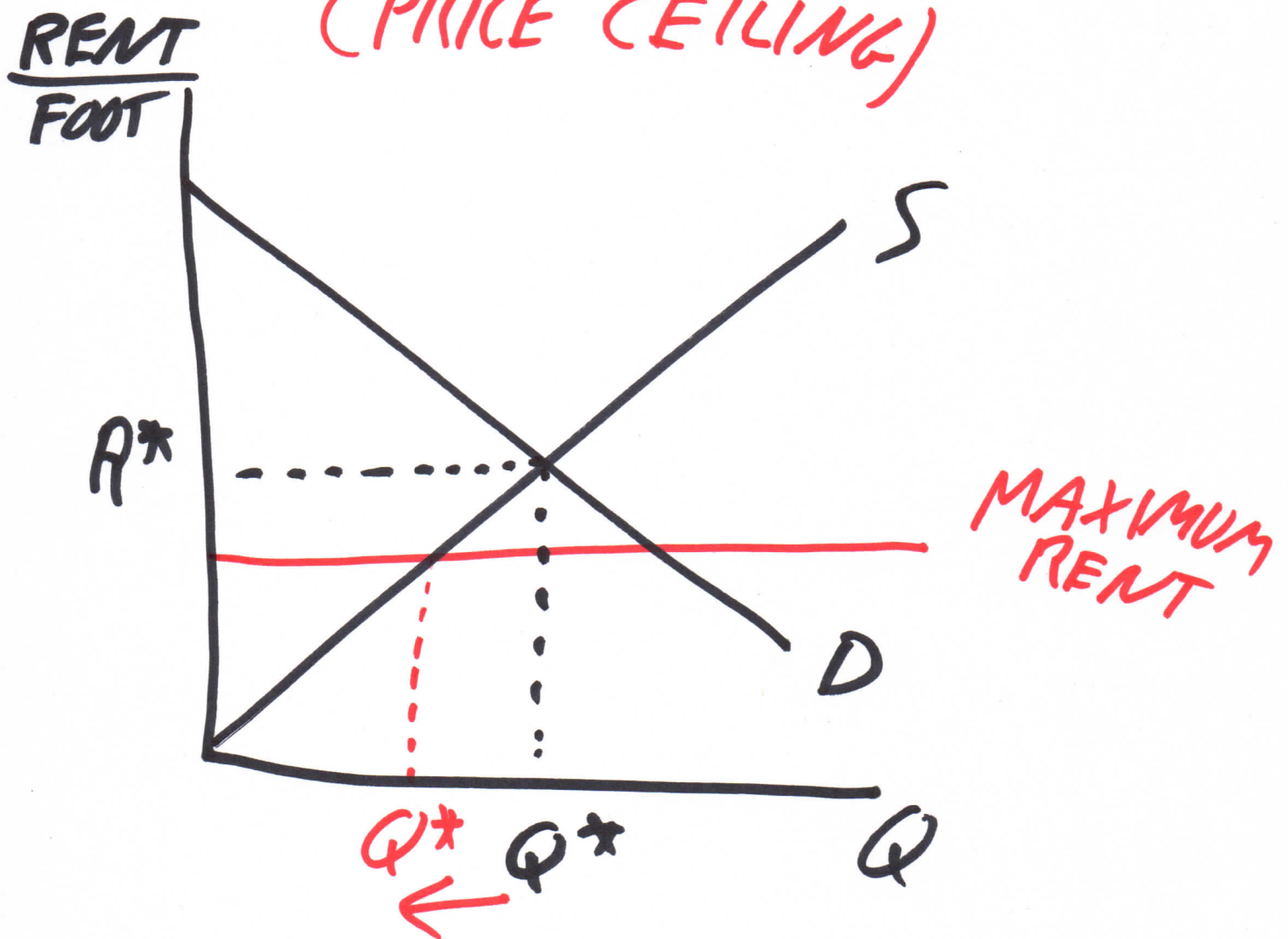
- MINIMUM WAGE



PRICE FLOOR

MINIMUM PRICE

- RENT CONTROL
(PRICE CEILING)

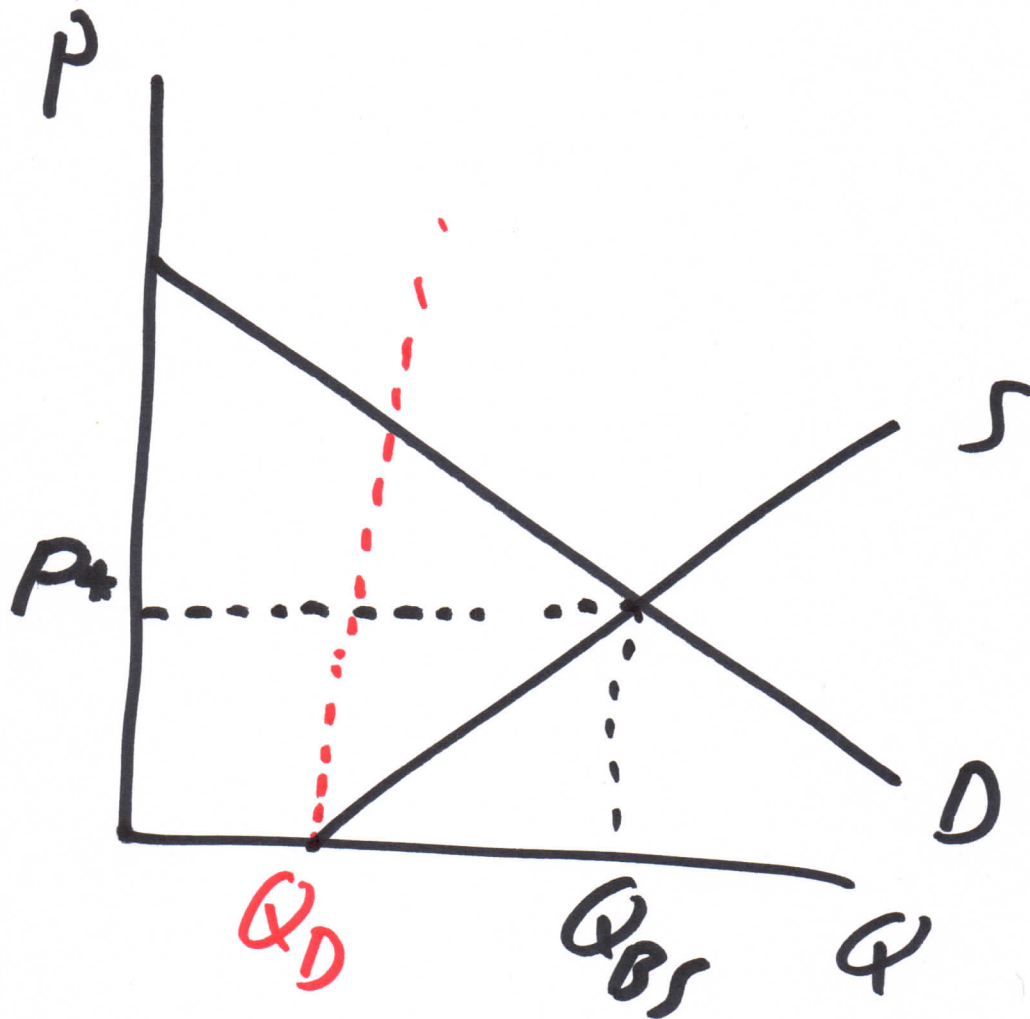


LAW OF UNINTENDED CONSEQUENCE

- INDIVIDUALS MOVED OUT
- POORER QUALITY GOODS

QUANTITY RESTRICTIONS

- KIDNEYS



[CH. 6] TAXES

CLAIM IT DOES NOT MATTER WHETHER
BUYERS OR SELLERS ARE TAXED!

TRUE

TAXES ARE MOSTLY PAID

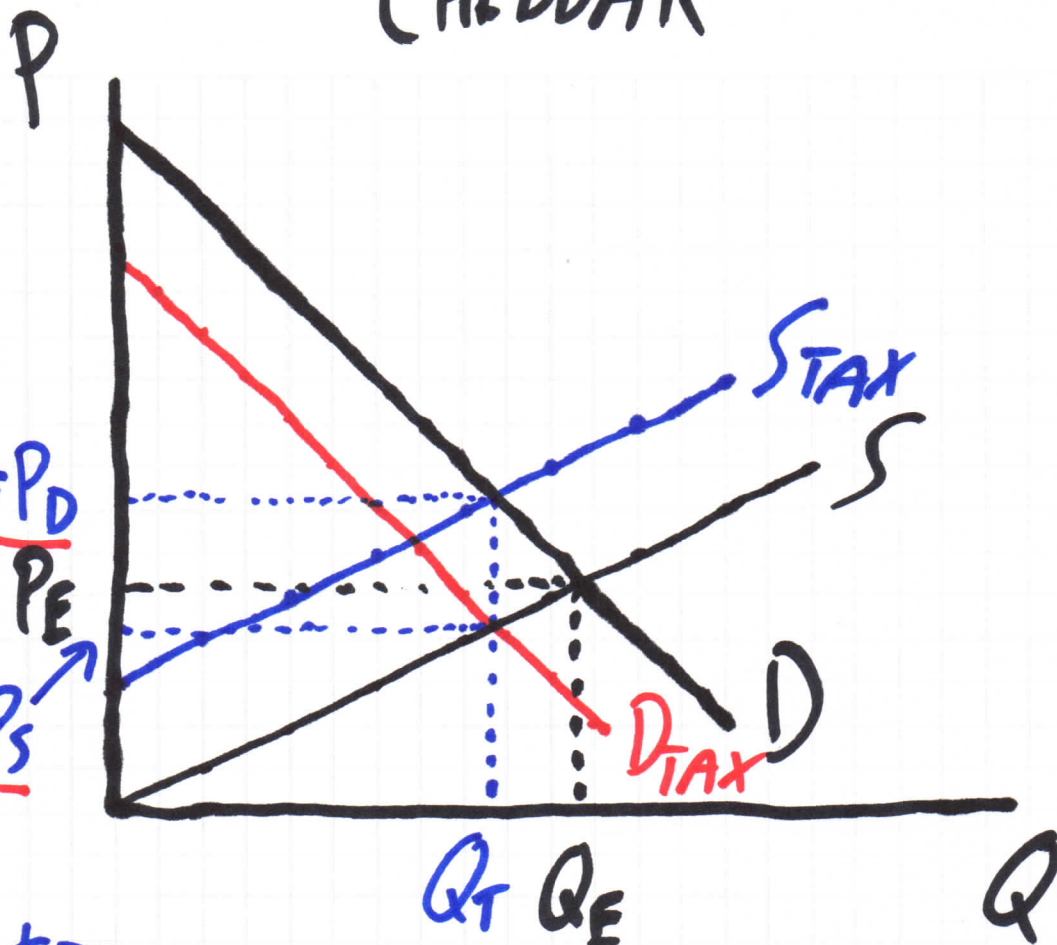
CLAIM BY THE INELASTIC (UNFLEXIBLE)

TRUE

Q: SOCIAL SECURITY ~~TAX~~ TAX

LEGAL INCIDENCE $\rightarrow$ 6.5% YOU
6.5% FIRM

(CHEDDAR



\$3 TAX ON SUPPLIERS

\$2 PAID BY D, ONLY \$1 PAID BY S

$Q_T = 8.5$ $Q_E = 10.5$

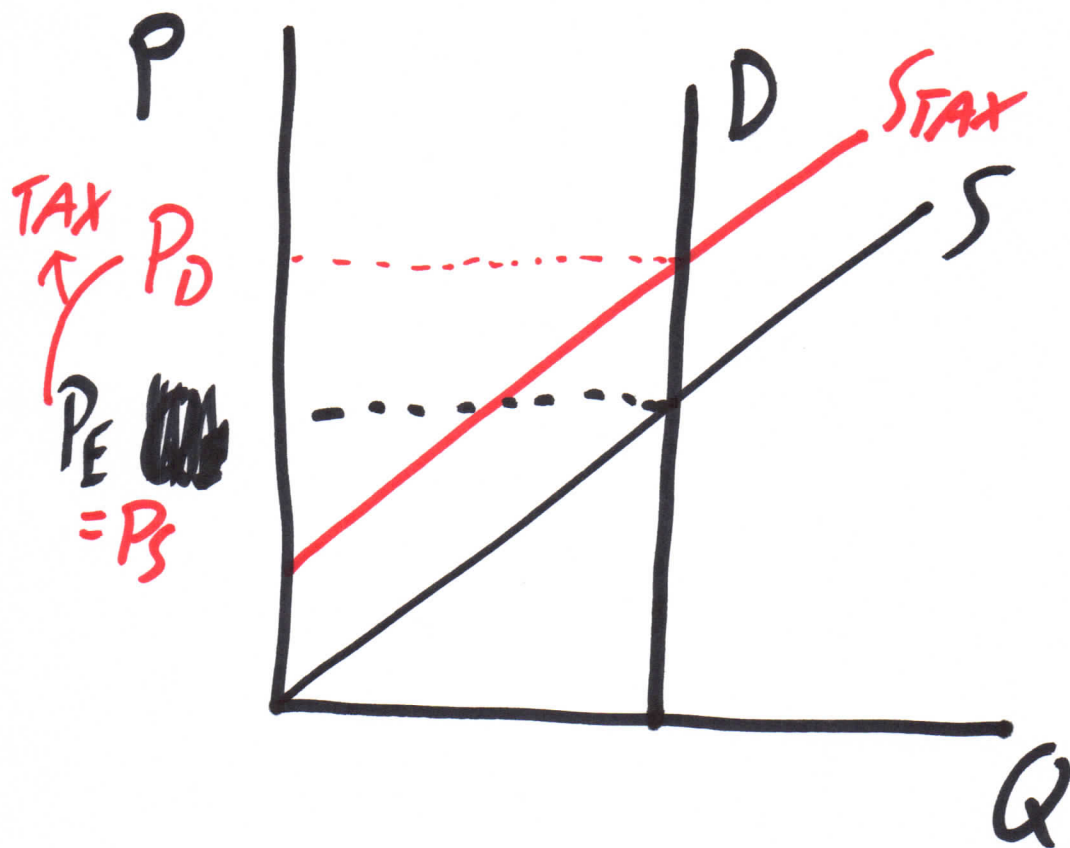
\$3 TAX ON DEMANDERS

$Q_T = 8.5$

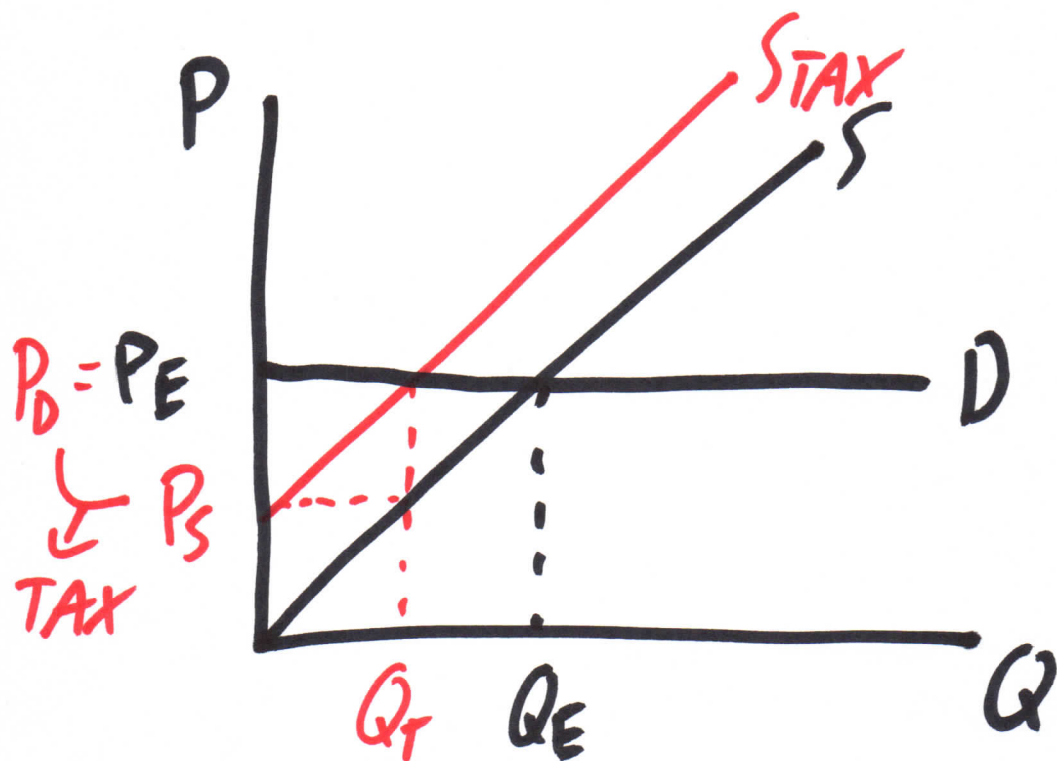
\$2 PAID BY D, ONLY \$1 PAID BY S

TEXTBOOK

LEGAL INCIDENCE IS NOT
ECONOMIC INCIDENCE



D PAY
100% OF
THE TAX



S PAY
100% OF
THE TAX

ECONOMIC BURDEN OF A TAX
IS PAID BY THE MOST INELASTIC