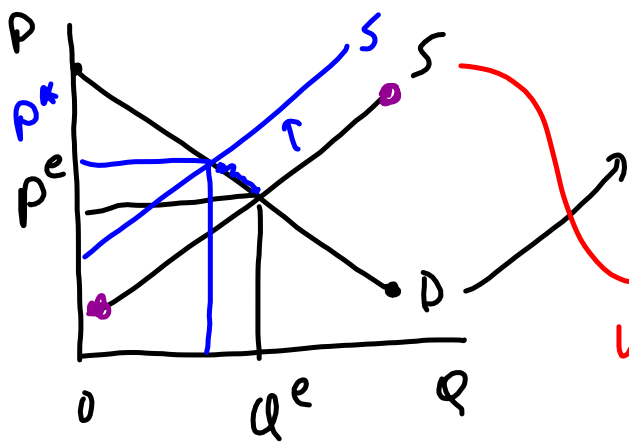


Markets - Chapter 6
 Chapters 7 & 8

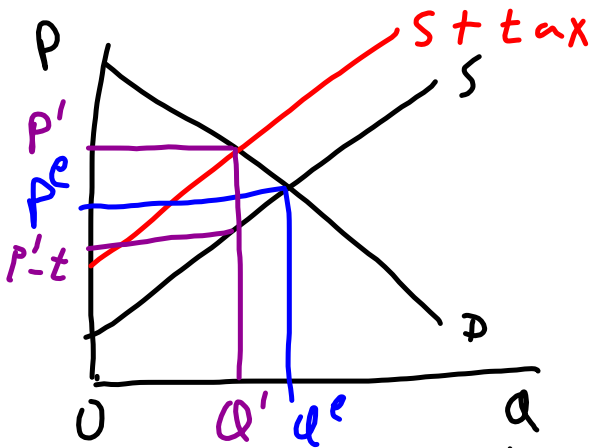


WTP → Income
 Tastes
 Expectations
 Prices of Related

WTA → Technology
 - inputs cost
 - expectations

- market price reflecting heterogeneity → single price

Aggregating information → one price



tax "bads"
 - tobacco tax
 - excise tax (purchase)
 ↳ % ad valorem
 ↳ unit tax
 - who pays tax?

incidence - legal - who sends \$
 - seller x

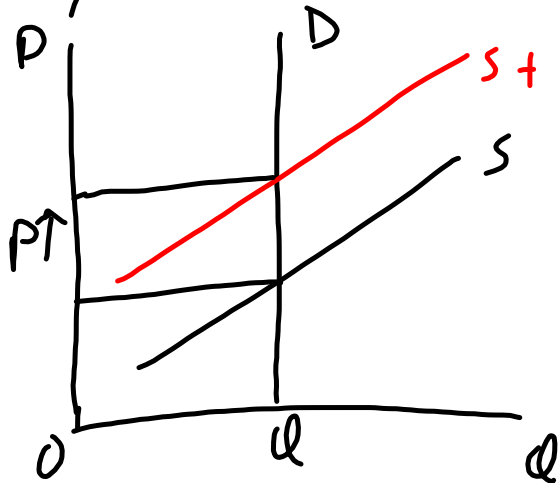
- economic - both.

- tax shifting - market price P'

Buyers $\frac{P' - P^e}{}$ - share of tax

Sellers $\frac{P^e - (P' - t)}{}$ - share of tax

Buyer share \rightarrow elasticity



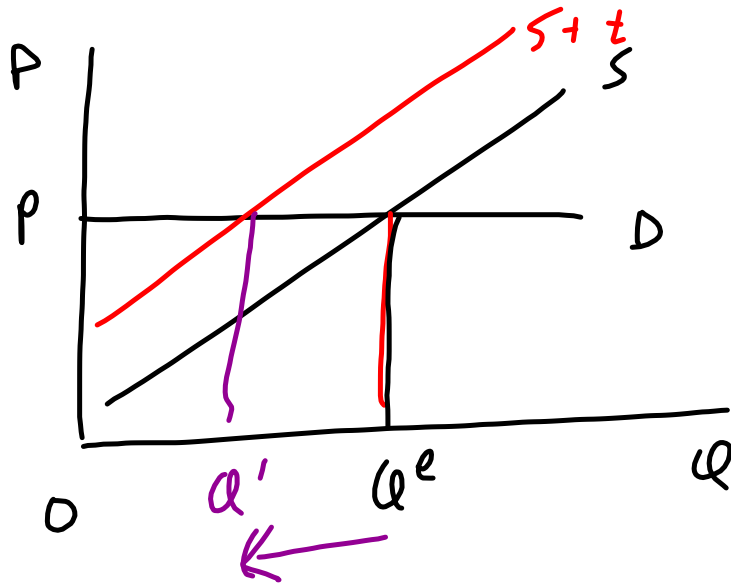
inelastic

$$\eta = \frac{\% \Delta Q}{\% \Delta P} = \frac{0}{\% \Delta P}$$

$$= 0$$

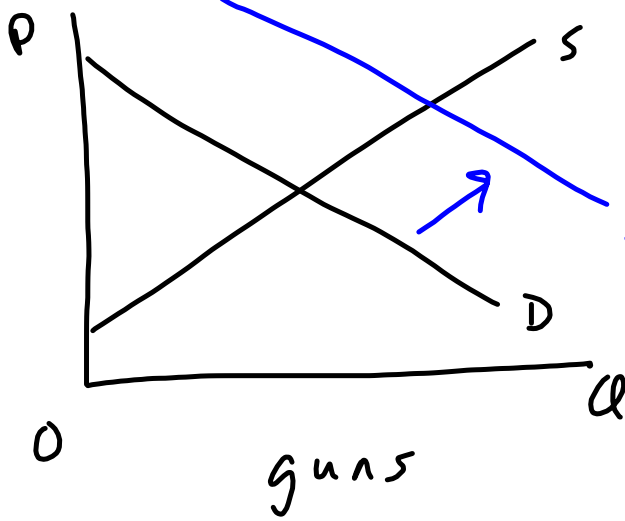
as $\eta \downarrow$ - buyer pays larger share
 - incidence

- purpose of tax to change
 behavior \rightarrow low η - miss goal.



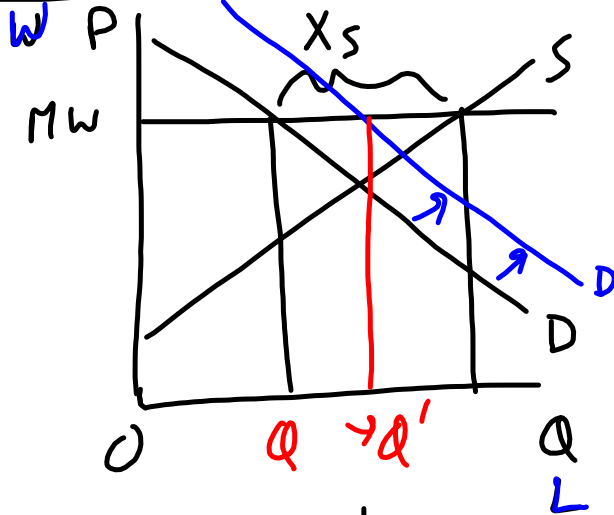
Coke / Pepsi
perfect substitutes
tax on Coke

Expectations



- repeal 2nd Amend.
- "take your guns"
D - expect future restriction

Rent control -
Minimum Wage



Labor - derived demand.

$$D = vMP$$

$MP \Rightarrow$ physical output product
 $v \rightarrow$ Price of final good

$S \rightarrow$ reservation

$MW \uparrow \Rightarrow D_L \downarrow$ unemployment \uparrow wage

\hookrightarrow Income for those employed \uparrow