Directions: For the following graph below, use the letters in the graph and labels on axis to indicate either the area or point of the economic concept asked in the question:



1. The original price of the product before the subsidy. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
2. The Original quantity of the product before the subsidy. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
3. The area of the original consumer surplus before the subsidy. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
4. The area of the original producer surplus before the subsidy. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
5. The area representing the total dollar value of the subsidy. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
6. The area representing the producer benefit from the subsidy. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
7. The area of deadweight loss caused by the subsidy. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
8. The new price consumers pay after it is subsidized. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
9. The area of consumer surplus AFTER the subsidy is added \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
10. Is the subsidy efficient for the market? (yes or no) \_\_\_\_\_\_\_\_\_\_\_\_\_\_



1. The original price of the product before the tax. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
2. The original quantity of the product before the tax. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
3. The area of the original consumer surplus before the tax. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
4. The area of the original producer surplus before the tax. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
5. The area representing the total revenue collected by government from tax. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
6. The area representing the producer burden from the tax. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
7. The area of deadweight loss caused by the tax. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
8. The new price consumers pay after it is taxed. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
9. The area of producer surplus AFTER the tax is added \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
10. Is the tax efficient for the market? (yes or no) \_\_\_\_\_\_\_\_\_\_\_\_\_\_
11. Assume the market for Good X is relatively (but not perfectly) elastic in demand only and a per unit sales tax is added to Good X.
12. Graph the market for Good X correctly and clearly. Label the following:
* The original price Pe and quantity Qe
* The new price consumers pay with the tax Pcon
* The new price producers keep after paying tax Pp
1. Do consumers pay more, less or equal tax burden as consumers? Explain why.
2. Does producer surplus with the tax increase, decrease or remain the same?