CONCEPT: EFFECTS OF TAXES ON A MARKET
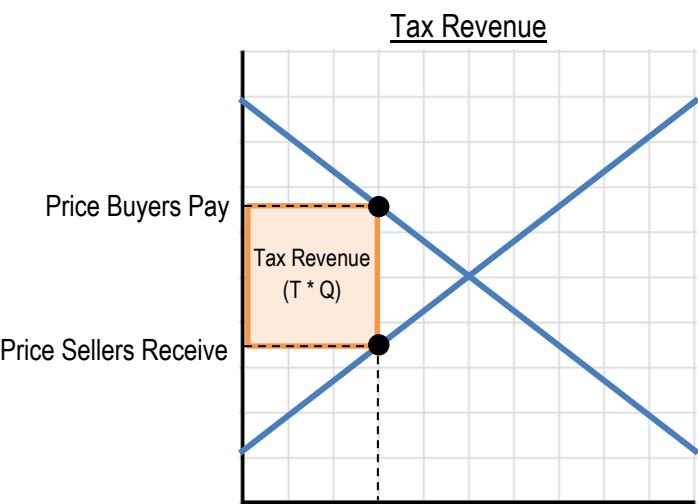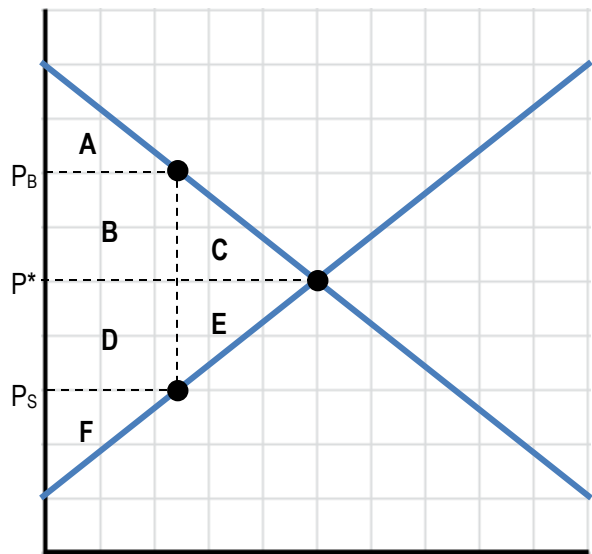
● The **tax revenue** represents the total amount of tax collected, calculated as: _____

Tax Revenue

Price Buyers Pay

Tax Revenue
(T * Q)

Price Sellers Receive

● When a market is not in equilibrium, the loss of economic surplus is called a _____

A

P_B

B

C

P*

D

E

P_S

F

	Without Tax (P*)	With Tax (P_B and P_S)	Change
Consumer Surplus			
Producer Surplus			
Tax Revenue			
Economic Surplus			
Deadweight Loss			

PRACTICE: If a tax has caused the market-clearing quantity to fall to Q_2, what is consumer surplus?
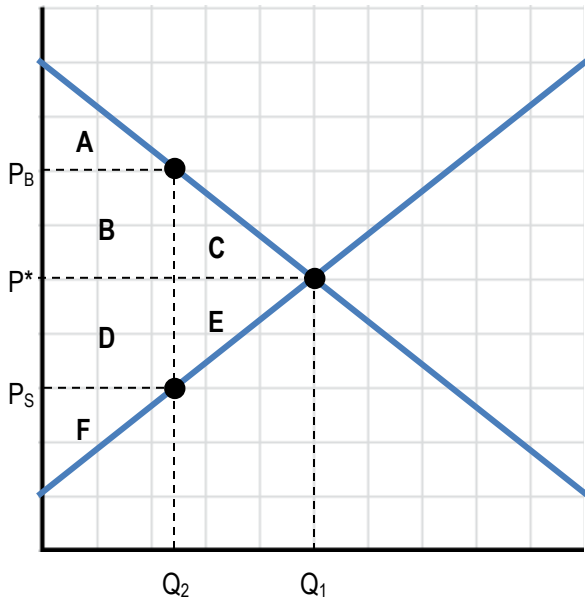
a) The area of (A)
b) The area of (A), (B), and (C)
c) The area of (A), (B), (C), (D), and (E)
d) The area of (A), (B), (C), (D), (E), and (F)
e) The area of (C) and (E)

PRACTICE: If a tax has caused the market-clearing quantity to fall to Q_2, what is total economic surplus?
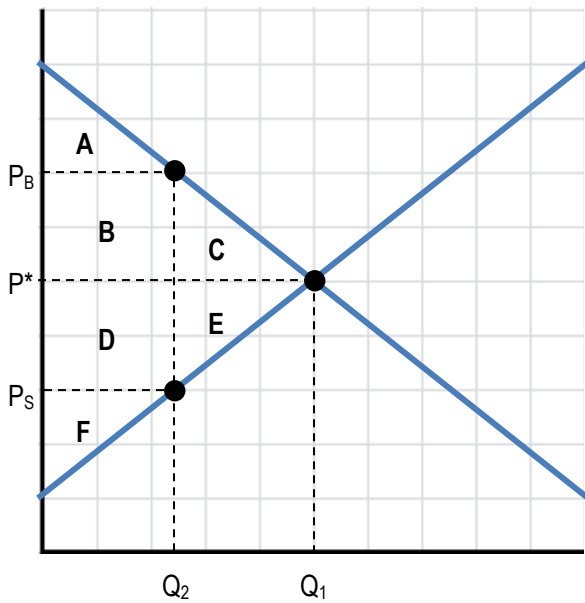
a) The area of (A) and (F)
b) The area of (D), (E), and (F)
c) The area of (A), (B), (D), and (F)
d) The area of (A), (B), (C), (D), (E), and (F)
e) The area of (C) and (E)