10-Applied-Competitive-Analysis-Part-1

1 Why does a gallon of water cost less than a gallon of gas?

- A Gas is more important
- B Gas is more expensive to produce
- C Water is a public good
- ✓ Other

2 Why does a gallon of Coke cost more (usually) than a gallon of gas — even though Coke is mostly water?

- A Coke is more important
- B Coke is more expensive to produce
- C Gas is a public good
- ✓ Other

3 Which party (buyer/seller) bears relatively more of the incidence of a tax or tariff? (That is, what determines who 'pays' the tariff?)

- ✓ The party (buyer/seller) that <u>adjusts quantity</u> demanded/supplied **least** in response to a change in price bears more of the incidence
- B The party (buyer/seller) that <u>adjusts quantity</u> demanded/supplied **most** in response to a change in price bears more of the incidence
- C This has nothing to do with quantity!
- D

4 If the tax were to be fully rebated based on the consumer's *final* (post-tax) bundle, what is the effect on the consumer's welfare?
Note: that the consumer's total budget is unaffected: she is on the original budget set

- ✓ Worse off
- B Better off
- C Indifferent
- D Indeterminate