

Problem Set 6

Due Lecture 7

On what and how to submit

- For this and all future problem sets, questions are from the “Problems” section of the questions at the end of the chapter.
- Due before Lecture 7 to Blackboard. See assignment turn-in on course home page.
- Submit a pdf file
- Name the file “ps06-[lastname].pdf”. For example, my file would be “ps06_brooks.pdf”.
- In addition, write your name at the top of the problem set.
- You do not need to type your submission. Any **legible** submission is ok. For example, you can write the problem set with hand-drawn graphs, take a picture, and submit the picture as a pdf.

1. Gruber Chapter 19, Question 2

Assume that the statutory incidence falls upon the consumer.

2. Gruber Chapter 19, Question 3

3. EV Tax Credit

The Inflation Reduction Act of 2022 included a \$7,500 dollar tax credit for US citizens for the purchase of electric vehicles. Think of this credit as a negative tax. That is, instead of paying money to the government when you buy a car, you get money from the government. Suppose that the supply of new cars is inelastic relative to demand for new cars. If this is the case, who is likely to bear the economic incidence of this tax credit?