Problem Set	9
PPA 897	

1. Provide an example of each in the real world (from table 10.2). That is, if I put Distributional Issue, transfer of scarcity rent under supply side output tax, a real world example would be government taxing private sector oil producers for the right to drill in the government's territory.

Generic Policy	Perceived Problem	Real World Example			
Supply Side Tax					
Output Tax	Market failure:				
	negative externality				
Tariff	Limit to competitive framework:				
	market power of foreign exporters				
Supply Side Subsidy					
Matching Grant	Market failure:				
Watering Grant	public goods				
	public goods				
Tax expenditure	Market failure:				
	positive externalities				
Demand Side Tax	T				
Commodity Tax /	Market failure:				
User fee	negative externalities				
Demand Side Subsid	 v				
In kind subsidy	Distributional issues:				
iii kiiid sabsiay	floor on consumption				
	The state of the s				
Voucher	Government failure:				
	bureaucratic supply failure				
Tax Expenditure	Market failure:				
	positive externalities				

2). Transfers to consumers, income is Y, goods are X_1 and X_2 , prices are P_1 and P_2 .
a. Using indifference curves and a budget line, draw the impact of a matching grant of size S per unit of X_1 purchased by the consumer.
b. Using indifference curves and a budget line, draw the impact of a lump sum constrained transfer of size L to a consumer that can only be used to buy good X_1 .
c. Discuss what happened to consumption of X_2 and why it happened in your graphs for (a) and (b).

3) Subsidy and Tax. a) Draw the impact of a specific tax of size τ placed on consumers and provide a real world case where this might be a good policy to implement.
a) Draw the impact of a subsidy of size τ given to consumers and provide a real world case where this might be a good policy to implement.

4. Provide an example of each in the real world (from table 10.4). That is, if I put Market Failure, Natural Monopoly under government corporation, you could put airports in the NYC metropolitan area being run by the Port Authority.

Generic Policy	Perceived Problem	Real World Example
Direct Supply	,	
Bureaus	Market failure: Public good	
Independent Agenci		
Government	Market failure:	
Corporations	positive externalities	
Special Districts	Market Failure: Local Public Goods	
Contracting Out		
Direct Contracting	Market Failure: Local public good	
Indirect	Government Failure: Bureaucratic	
Contracting / nonprofits	Supply Failure	