

The last one!

Do not write your name on the assignment. Write your name only on the back of this sheet of paper and staple your answers on the front of this sheet of paper. Your assignment will be typed, except graphs can be drawn by hand and mathematical equations can be done by hand. Failure to follow these directions will cost you 1 point on the assignment.

1) (30 points) Explain two reasons why governments of developing countries have often relied on import taxes to finance the government. What are two problems with relying heavily on those resources of revenue?

2) (30 points) Draw a supply and demand diagram for property. Use that to explain why there is less excess burden with that type of tax than with other taxes. Explain why your lines are drawn as you drew them and explain your logic as to why the excess burden is less.

3) (15 points) What is the main reason that developing countries have higher levels of inflation than developed countries?

4A) (10 points) My bank account paid an annual rate of 0.843% interest in October. The inflation rate in October, expressed as an annual rate, was 3.2%. If the combined state and federal income taxes are 40% for me, then what is my real return on that account? Show all work.

B) (15 points) The equation you used in Part A is different from the normal $r = i - p$. Explain why we made the two changes.