



MobLab
A playground for decisions



Taxes

Taxes on Sellers and Buyers



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Market Forces

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Pre-Game Survey

Market Forces

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As a **seller**, what is your profit if someone accepts your ask of **\$1.24**?



SELLER Order Book >

Cost: \$0.65
Oranges: \$0.00
Earnings: \$0.00

Profit: \$0.59

ASK: \$1.24

BIDS	ASKS
\$1.03	\$1.62
\$0.51	\$2.10
\$0.30	--

or Sell at Highest Bid

Sale Price – Cost = \$1.24 - \$0.65 = \$0.59

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As a **buyer**, what is your profit if you
“Buy at Lowest Ask”?

BUYER Order Book >

Value **\$1.38**
 Oranges 0/3
 Earnings \$0.00

Profit **\$0.34**
 Bid **\$1.04**

BIDS **ASKS**
 \$0.34 **\$0.87**
 \$0.23 \$0.90
 -- \$1.03

Buy at Lowest Ask

Value – Purchase Price = \$1.38 - \$0.87 = \$0.51

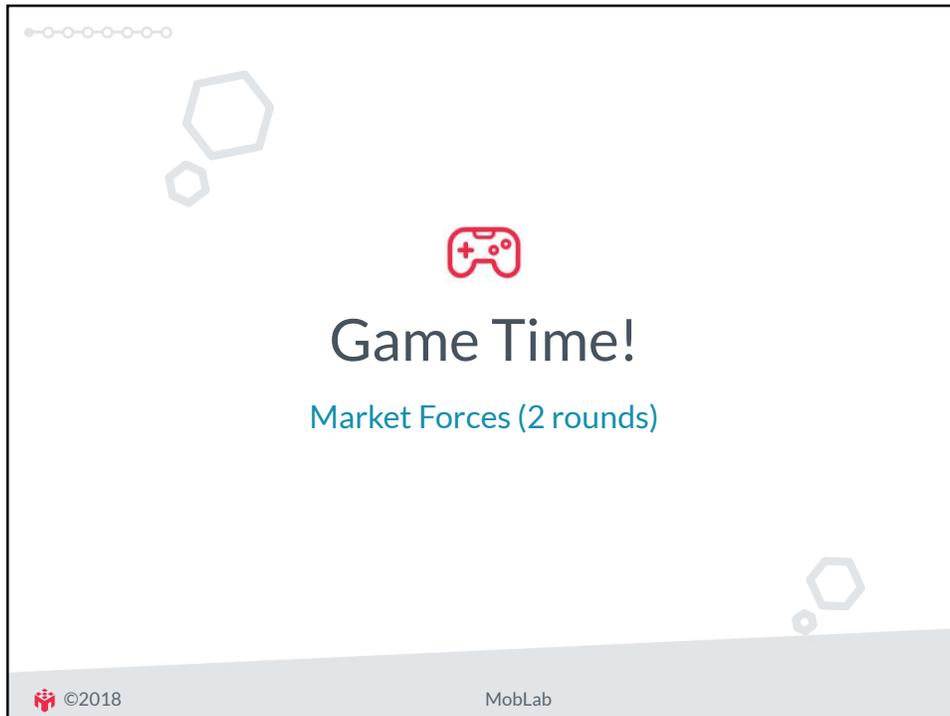
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What will Price and Quantity be?

Let's find out:

- You've been told to maximize your own profits.
- The Law of Supply and Demand predicts your group's behavior.
- Will the prediction be accurate?

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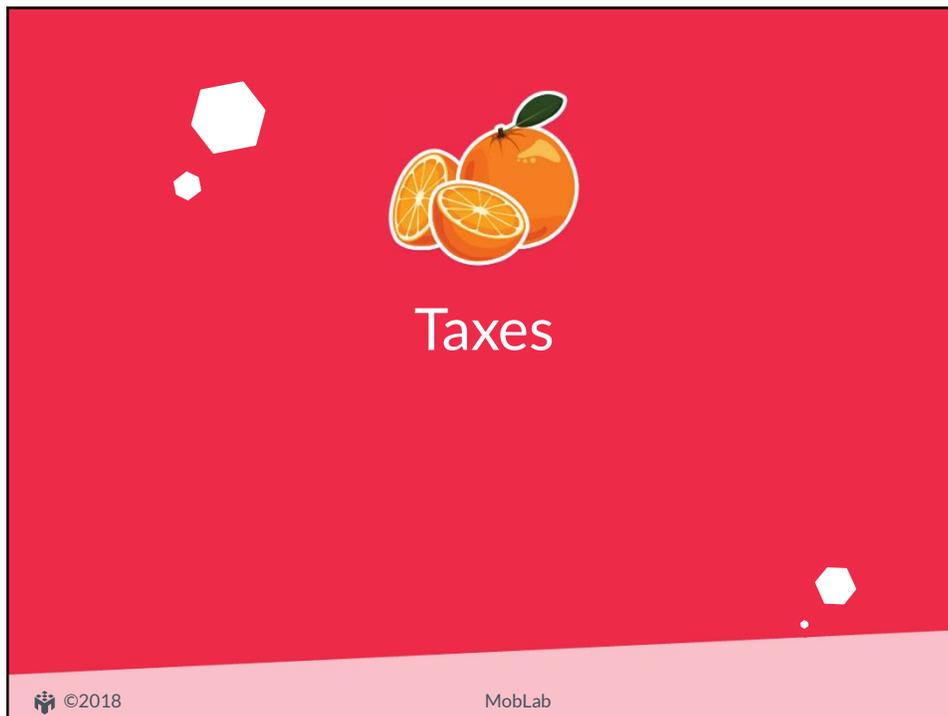
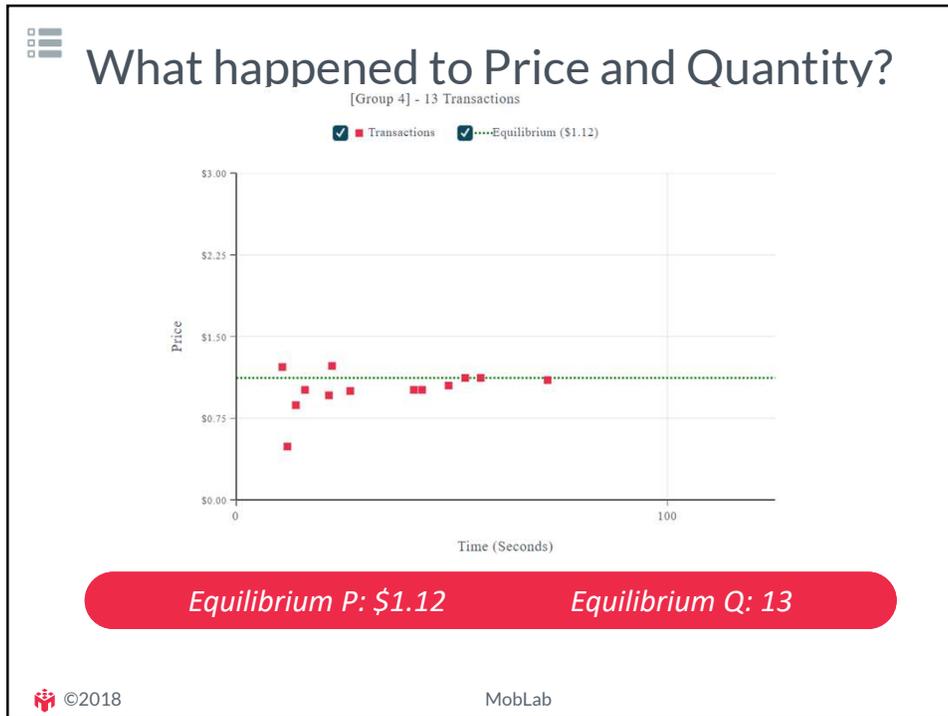


Game Time!

Market Forces (2 rounds)

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What will happen to Price and Quantity?

Let's find out:

- Suppose that the government puts a \$0.32 tax on the **sellers** of oranges.



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Game Time!

Tax the Sellers (2 rounds)

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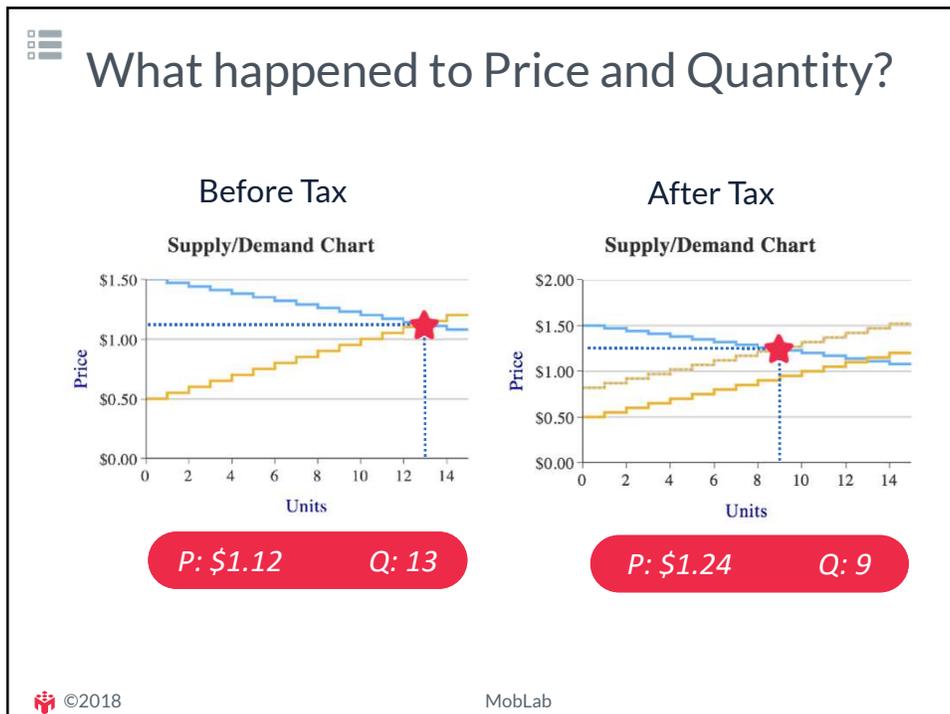




Post-Game Survey

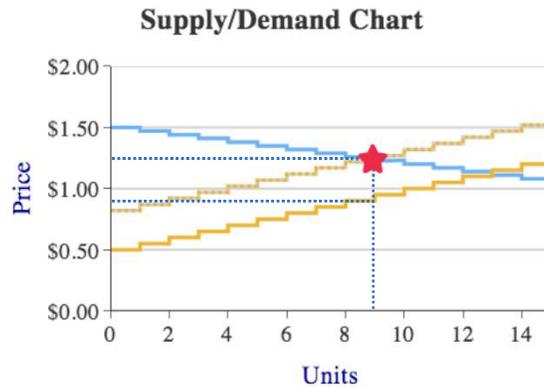
Tax the Sellers

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How much did sellers receive after the tax?



$$\text{Sale Price} - \text{Tax} = \$1.24 - \$0.32 = \$0.92$$

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What will happen to Price and Quantity?

Let's find out:

- Suppose that the government puts **the same** \$0.32 tax on the **buyers** of oranges.



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Game Time!
Tax the Buyers (2 rounds)

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What happened to Price and Quantity?

Before Tax

Supply/Demand Chart

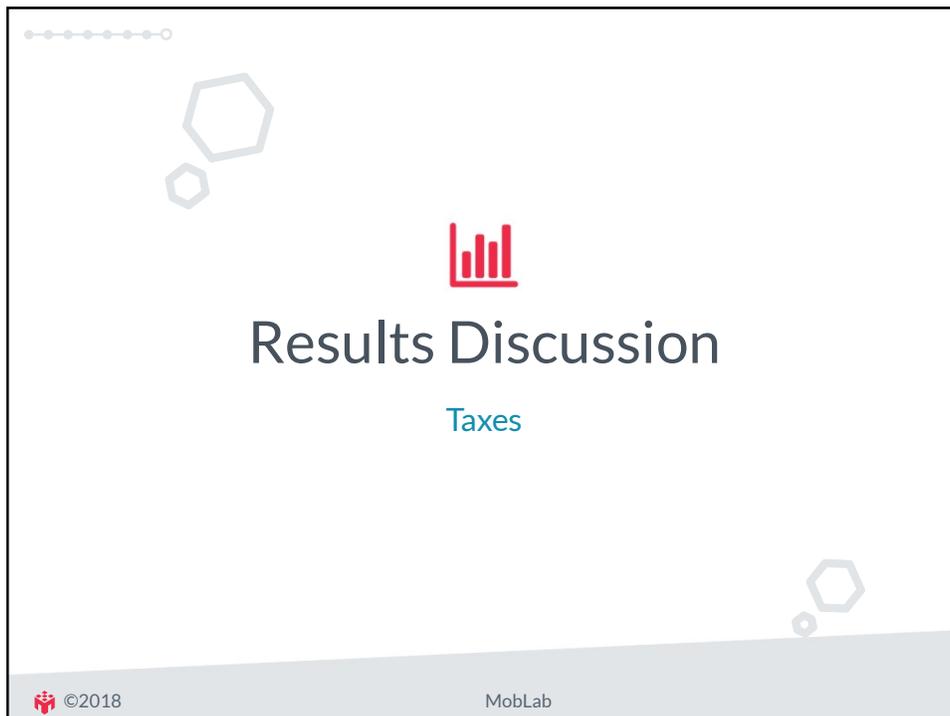
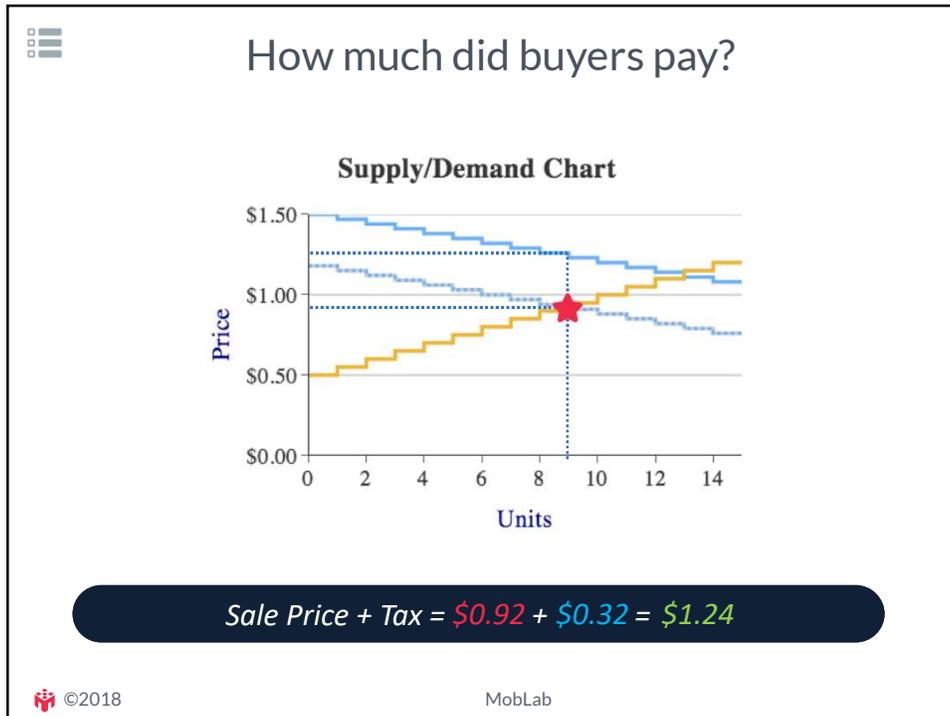
Price: \$1.12 Quantity: 13

After Tax

Supply/Demand Chart

Price: \$0.92 Quantity: 9

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Price paid or received is the same regardless of who the government places the tax on

	Sellers Receive	Buyers Pay
Tax on Sellers	$\$1.24 - \$0.32 = \$0.92$	\$1.24
Tax on Buyers	\$0.92	$\$0.92 + \$0.32 = \$1.24$

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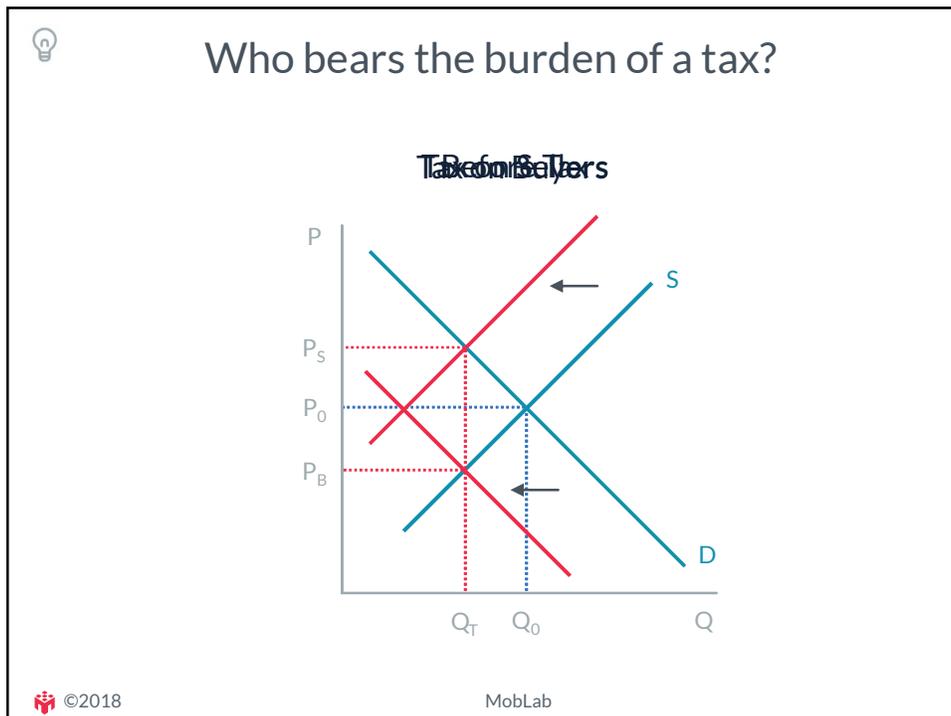


Concept Review

Taxes

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This slide features a lightbulb icon above the title "Concept Review" and the word "Taxes" in blue. Below the text are two orange slices. The slide is decorated with a dotted line at the top left, a hexagon icon at the top left, and another hexagon icon at the bottom right.





Price paid or received is the same regardless of who the government places the tax on

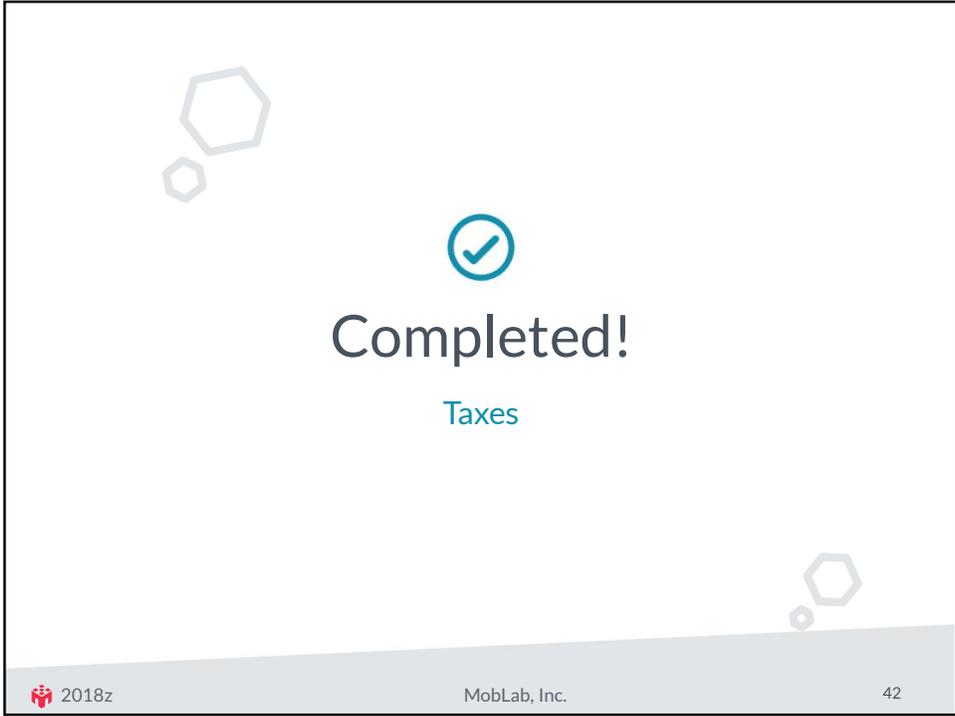
	Sellers Receive	Buyers Pay
Tax on Sellers	$\$1.24 - \$0.32 = \$0.92$	\$1.24
Tax on Buyers	\$0.92	$\$0.92 + \$0.32 = \$1.24$

- Tax burden is shared regardless of who the government places the tax on.
 - *Elasticity* is the measure of how much each side of the market responds to a price change.
 - A tax changes the price buyers pay and producers receive
 - *Elasticity* determines how the burden is shared.



Key Takeaways

- *Tax Incidence* is the way in which the burden of a tax is split among producers and consumers.
 - Tax incidence is not dictated by whom the tax is placed upon but by the *elasticities* of the supply and demand curves.



Completed!
Taxes

2018z MobLab, Inc. 42

This slide features a light gray background with a blue checkmark icon in a circle at the top center. The text "Completed!" is in a large, bold, dark gray font, and "Taxes" is in a smaller, blue font below it. There are faint, light gray hexagonal shapes in the top left and bottom right corners. A gray gradient bar at the bottom contains the text "2018z", "MobLab, Inc.", and "42" from left to right.



MobLab
A playground for decisions

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This slide has a solid red background. The MobLab logo, a white 3D cube with a checkered top, is on the left. To its right, the text "MobLab" is in a large white font, and "A playground for decisions" is in a smaller white font below it. Faint white hexagonal shapes are in the top left and bottom right corners. A light red gradient bar at the bottom contains the text "©2019" on the left.