

# Kentucky Class Notes

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ECO 201 Gulla  
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Test #2

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Video Clip shown from *Pretty Woman* showing the surplus of exchange.

Notes

- Policy Questions

- Equity – Efficiency Trade Offs

- Taxation

- Taxation is where the government gets money.

- Commodity Taxes

- These are taxes on specific goods.

- Statutory Burden

- This is the law that states whether the buyer or seller pays the tax on a good.

- Tax on Buyers

- The demand decreases by each amount of tax.

- Tax on Sellers

- Supply decreases by each amount of tax.

- Actual Burden

- Who Pays the Tax?

- Whichever side of the market is inelastic pays more tax than the other side.

- Inelastic Demand

- This causes the buyers to pay more tax.

- Definition of Inelastic Demand: