Experiment 6  Section 9

Problem 6.1
Table 6.7: Experimental Results in Session 1
Mean Price $22.48
Number of Lawn Ornaments Sold 14
Total Profits of Sellers from Transactions $67.75
Total Profits of Buyers from Transactions $165.25
Total Cost of Pollution $281.82
Total Profits of All Residents, Net of Pollution Costs -$48.82

Problem 6.2
Table 6.8
Mean Price $36.08
Number of Lawn Ornaments Sold 6
Total After-Tax Profits of Sellers from Transactions $28.50
Total Profits of Buyers from Transactions $23.50
Total Tax Revenue $120.00
Total Cost of Pollution $120.78
Total Profits and Tax Revenue of All Residents, Net of Pollution Costs $51.22

Problem 6.3
Table 6.9: Experimental Results in Session 3
Mean Price of Ornaments $30.88
Mean Price of Permits $13.38
Number of Lawn Ornaments Sold 8
Profits of Lawn Ornament Sellers from Transactions $26.00
Profits of Lawn Ornament Buyers From Transactions $48.00
Total Revenue of Permit Sellers $107.00
Total Cost of Pollution $161.04
Total Profits of All Residents, Net of Pollution Costs $19.96

Figure 6.5
Table 6.10: Predictions of the Theory: Session 1
Mean Price $25
Number of Lawn Ornaments Sold 13
Total Profits of Sellers from Transactions $121.00
Total Profits of Buyers from Transactions $135.00
Total Cost of Pollution $261.69
Total Profits -$5.69

Problem 6.6
Part a) Shifts the supply curve up by $20.
Part b) No effect on demand curve.

Problem 6.7
Table 6.11: Predictions of the Theory-Session 2
Mean Price $35.00
Number of Ornaments Sold 7
Total Profits of Buyers $30.00
Total Profits of Sellers $24.00
Total Tax Revenue $140.00
Total Cost of Pollution $140.91
Total Profits and Tax Revenue of All Residents, Net of Pollution Costs $53.09

The total income of all residents is higher when the pollution tax is imposed.

Problem 6.8
Competitive equilibrium prediction for price of ornaments is $35.00
Competitive equilibrium prediction for quantity of ornaments is 8

Problem 6.9
Table 6.12: Willingness to Pay for Pollution Permits
<table>
<thead>
<tr>
<th>Seller</th>
<th>Number in Market</th>
<th>Willingness to Pay for a Permit</th>
</tr>
</thead>
<tbody>
<tr>
<td>8</td>
<td>2</td>
<td>$27.00</td>
</tr>
<tr>
<td>13</td>
<td>5</td>
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<tr>
<td>18</td>
<td>3</td>
<td>$17.00</td>
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<tr>
<td>23</td>
<td>3</td>
<td>$12.00</td>
</tr>
</tbody>
</table>
Problem 6.10
Table 6.6: Supply and Demand for Permits.

These curves intersect where the price of permits is 17.