

Problem 6.1

Table 6.7: Experimental Results in Session 1

Mean Price	\$22.94
Number of Lawn Ornaments Sold	17
Total Profits of Sellers from Transactions	\$129.00
Total Profits of Buyers from Transactions	\$160.00
Total Cost of Pollution	\$342.38
Total Profits of All Residents, Net of Pollution Costs	-\$53.38

Problem 6.2

Table 6.8

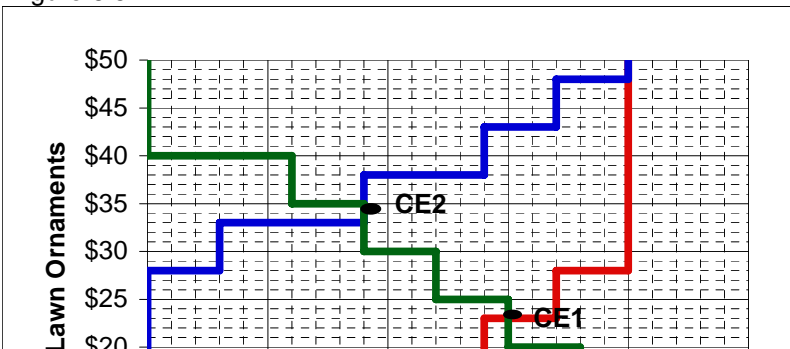
Mean Price	\$33.78
Number of Lawn Ornaments Sold	9
Total After-Tax Profits of Sellers from Transactions	\$22.00
Total Profits of Buyers from Transactions	\$41.00
Total Tax Revenue	\$180.00
Total Cost of Pollution	\$181.26
Total Profits and Tax Revenue of All Residents, Net of Pollution Costs	\$61.74

Problem 6.3

Table 6.9: Experimental Results in Session 3

Mean Price of Ornaments	\$29.33
Mean Price of Permits	\$8.56
Number of Lawn Ornaments Sold	9
Profits of Lawn Ornament Sellers from Transactions	\$60.00
Profits of Lawn Ornament Buyers From Transactions	\$71.00
Total Revenue of Permit Sellers	\$77.00
Total Cost of Pollution	\$181.26
Total Profits of All Residents, Net of Pollution Costs.	\$26.74

Figure 6.5



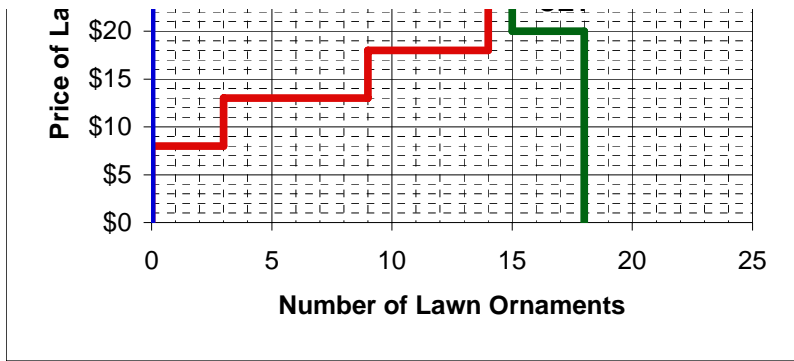


Table 6.10: Predictions of the Theory: Session 1

Mean Price	\$23
Number of Lawn Ornaments Sold	15
Total Profits of Sellers from Transactions	\$130.00
Total Profits of Buyers from Transactions	\$165.00
Total Cost of Pollution	\$302.10
Total Profits	-\$7.10

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	\$34.00 *
Number of Ornaments Sold	9
Total Profits of Buyers	\$39.00
Total Profits of Sellers	\$24.00
Total Tax Revenue	\$180.00
Total Cost of Pollution	\$181.26
Total Profits and Tax Revenue of All Residents, Net of Pollution Costs	\$61.74

*Any price between \$33 and \$35 is an equilibrium.

I've used \$34 in the calculations.

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 \$32.50 *

Competitive equilibrium prediction for quantity of ornaments is 9

*Any price between \$30 and \$35 is an equilibrium.

I've used \$32.50 in the calculations.

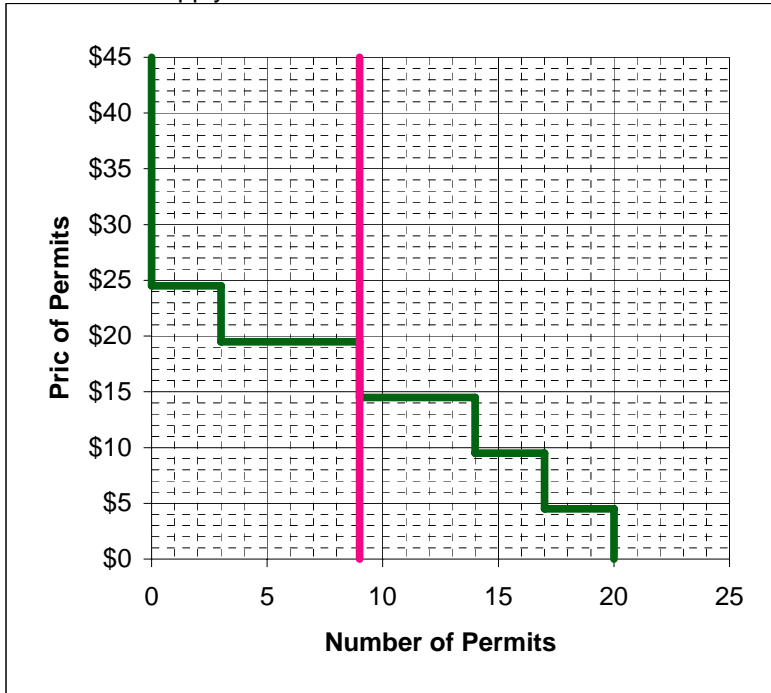
Problem 6.9

Table 6.12: Willingness to Pay for Pollution Permits

Seller Cost	Number in Market	Willingness to Pay for a Permit
8	3	\$24.50
13	6	\$19.50
18	5	\$14.50
23	3	\$9.50
28	3	\$4.50

Problem 6.10

Table 6.6: Supply and Demand for Permits.



These curves intersect where the price of permits is between \$14.5 and \$19.5.