

Microeconomics project

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For instance, will buyers or sellers pay a larger portion of the tax per unit? Explain. Alike the weight on buyers' tax accepted by them is more for goods that have inelastic demand. Based on the elasticity classifications their effect on tax revenue, and tax incidence, which goods would the government prefer to tax? The Government tax goods with inelastic demand like meats, bread, soft drinks as people will devour for these items in the face of the change in price

Part 2: Research the effect of changes in cigarette taxes on tax revenue for a state.

Does this change indicate cigarettes have an elastic or inelastic demand in that state? Support your answer I have chosen Indiana where I am and Illinois and Michigan which are close to Indiana. State and local tobacco tax revenue select years 2008 to 2010 thousand of dollars Indiana 519, 871-2008, 510, 585-2009, 484, 686-2010, Illinois 827, 484-2008, 770, 648-2009, 746, 953-2010, Michigan 1, 076, 087-2008, 1, 043, 532-2009, 1, 057, 495-2010 What is showed is that cigarettes have an inelastic a decrease in price reduces revenue the increase in quantity demanded is proportionally smaller than the decrease in price.