Due date: Solution will be posted in the afternoon on Monday September 20.

The following questions and page reference are for the 3rd edition of Williamson’s text.

Answer questions 4, on p. 143 and 10 on p. 144 in your text book (questions 3 and 8 in the 3/e).

(1) Additional instructions for question 4:
   
   a. Draw a diagram, assuming $\pi = T = 0$, showing initial consumer equilibrium, i.e., the equilibrium before the imposition of the proportional tax.
   b. In the diagram, show the new equilibrium after the imposition of the proportional tax, showing diagrammatically the income and substitution effect.

(2) Additional instruction for question 10:

   a. Demonstrate your answer diagrammatically also.