

MIT OpenCourseWare  
<http://ocw.mit.edu>

17.812J / 14.296J Collective Choice I  
Fall 2008

For information about citing these materials or our Terms of Use, visit: <http://ocw.mit.edu/terms>.

## 14.296/17.812 Problem Set 2

PT ch.3#3,#4; ch.6#1; ch.14#5

Please make the following corrections/revisions:

PT 6.1

- b) Assume that only citizens with *productivity parameters*  $e^i$  above 0.05 are allowed to vote, which exclude approximately 10% of the lowest-income earners from the electorate. Compute the new equilibrium tax rate.
- c) Now suppose that 10% of the citizens of each *productivity parameter*  $e^i$  were to retire and thus be moved to productivity  $e^i = 0$ . Compute the new equilibrium tax rate.