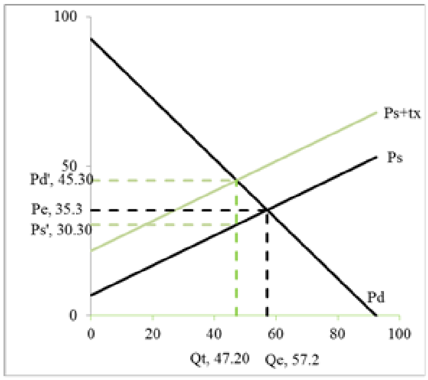
8. Correct. The answer is true. From question 7, equilibrium price and quantity were solved to be Pe=35.3 and Qe = 57.2. To compute incidence of the tax, first solve for inverse demand, P_d=92.5-Q_d, and supply P_s=6.7 + 0.5Q_s. Then set P_s + t = P_d. Solve for equilibrium Q from P_s = 6.7 + 0.5Q + 15 = P_d = 92.5 - Q. =>1.5Q = 70.8. Equilibrium Q = 47.2. At equilibrium Q, P_d = 92.5 - 47.2 = 45.3. P_s = 6.7 + 0.5(47.2) = 30.3. Consumer price went from 45.3 to 37.3 for an increase of $10 and producer price went from 35.3 to 30.3 for a decrease of $5. Total tax revenues are tax times sales of 15*47.2 = $708.



A quicker but less intuitive way to solve for the effect of a tax when you have direct demand curves is to substitute P_s + t for P_d and solve as follows.

Q_d = 92.5 -1(P_s + 15) = Q_s = -13.4 + 2P_s

92.5 + 13.4 -15 = 1P_s + 2P_s

90.9 = 3P_s

P_s = 90.0/3 = 30.3

P_d = P_s + 15 = 45.3

Q = Q_d = 92.5 -1(45.3) = 47.2

or Q = Q_s = -13.4 + 2*30.3 = 47.2