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**ON TAXATION PASS-THROUGH
FOR A MONOPOLY FIRM**

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Abstract

This paper investigates the pass-through of an excise tax imposed on a monopoly firm with constant marginal cost. The optimal price increases as tax increases for *any demand function*. Tax pass-through is globally under or in excess of 100% according as the direct demand function is log-concave or log-convex. The analysis relies on supermodular optimization and delivers conclusions based on minimal sufficient assumptions in a simple, broadly accessible and self-contained framework. Further results allow for mixed conditions that provide precise and local determination of pass-through. Several illustrative examples are given. Policy conclusions relating to the relative wisdom of taxing high versus low cost monopoly firms are drawn from the results.

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