

Review sheet, econ1B midterm II  
Midterm is Thursday, 11/6  
Professor Holian

Special lecture questions for review (p. 85)

Elasticity: definition and meaning

Determinants of price elasticity of demand

Calculating price elasticity of demand  
(using class method)

Determinants of income elasticity of demand

How can elasticity change over time?

Price ceilings: binding versus nonbinding

Surpluses and shortages caused by binding price floors and price ceilings

Non-price Rationing mechanisms

Examples of price controls

In what ways is the market equilibrium miraculous? What is the invisible hand theorem?

Consumer and producer surplus: definition and meaning

Calculating consumer surplus from an individual purchase

Willingness to buy and willingness to sell: determinants

\*\*\*Taxes: analysis using the supply and demand model, including welfare analysis  
(consumer surplus, producer surplus, government revenue, and deadweight  
loss)\*\*\*

What determines how much of the tax burden (or incidence) is born by buyers versus  
sellers?

Deadweight loss: intuitive explanation

Laffer curve

\*\*\*International trade: analysis using the supply and demand model, including welfare  
analysis before and after trade, and before and after the imposition of a tariff \*\*\*

If a country has a comparative advantage in producing some good, they will become  
exporters after trade

Arguments against trade: unfair competition (read especially p. 193)

Categorization of private goods, public goods and common pool resources based on

- Definition of excludability
- Definition of rivalry

The free rider problem: private and public solutions

The tragedy of the commons: private and public solutions

Drawing the market demand curve for public goods (differences from drawing the market  
demand curve for private goods.)