

Chapter 7

1. What is welfare economics?
2. What is willingness to pay and what is consumer surplus? Which area in a demand and supply graph represents the consumer surplus?
3. What is cost? And what is producer surplus? Which area in a demand and supply graph represents the producer surplus?
4. What is total surplus?
5. What is efficiency and what is equity?
6. What is the relationship between market equilibrium and market efficiency?
7. What are market failures? What is the relationship between market failure and market efficiency?

Chapter 8

1. What are the effects of a tax on the market equilibrium price and quantity?
2. What are the welfare effects of a tax on the market? What are the consumer surplus, producer surplus and total surplus before taxes and after taxes? How to compute the tax revenue when we have a tax?
3. What is deadweight loss?
4. What are the relationships between the deadweight loss and the elasticities of the demand and supply curves?
5. What's the relationship between the tax size and the deadweight loss? What's the relationship between the tax size and the tax revenue? What is the Laffer curve?

Chapter 9

1. What is World Price?
2. What are the welfare effects of free international trade on the domestic market? What are the consumer surplus, producer surplus and total surplus before trade and after trade for an exporting country? Who gains and who loses? What are the new equilibrium price and quantity in the domestic market?
3. What are the consumer surplus, producer surplus and total surplus before trade and after trade for an importing country? Who gains and who loses? What are the new equilibrium price and quantity in the domestic market?
4. What is a tariff?
5. What are the welfare effects of a tariff on the domestic market with international trade? What are the consumer surplus, producer surplus and total surplus before the tariff and after the tariff for a country that allows international trade? Who gains and who loses? What are the new equilibrium price and quantity in the domestic market?
6. What is an import quota?
7. What are the welfare effects of an import quota on the domestic market with international trade? What are the consumer surplus, producer surplus and total surplus before the import quota and after the import quota for a country that

allows international trade? Who gains and who loses? What are the new equilibrium price and quantity in the domestic market?

8. What are the main arguments for restricting trade and what are economists responses to them?