

EC 131 - Lecture 6

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September 2012

Textbook readings: Chapter 6

1 Price controls

- Price ceiling
 - Binding
 - Not Binding
- Effect of curve shifts in binding/not binding
- Price floor
- Examples: Rent price control, minimum wage
- Find effect of price ceiling/floor when given demand/supply functions

2 Taxes

- Tax firms
 - Shift in supply curve
- Tax consumers
 - Shift in demand curve
- Equivalence
- Two prices
- Graphical method

- Algebraic solution/equivalence
- Consumers/firms Share of tax burden (relative elasticities)