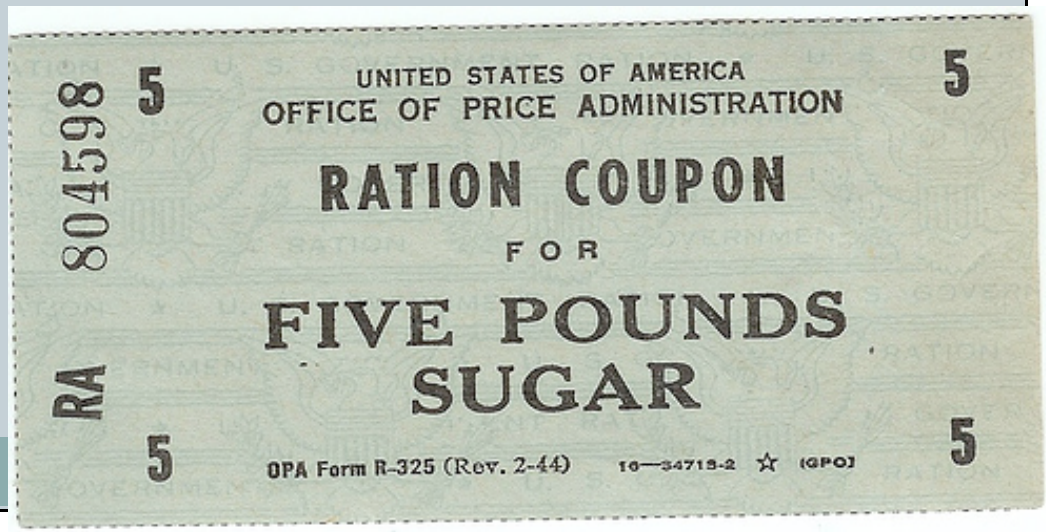
Chapter 6

ECON SPRING 2016

Chapter 6

- Price – The monetary value of a product as established by supply and demand
- Rationing – A system under which an agency such as government decides everyone's "fair" share
- Ration Coupon – a ticket or a receipt that entitles the holder to obtain a certain amount of a product



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- Problems of "Fairness"
  - Everyone thinks that their fair share is too small
  - High administrative costs
  - Diminishing Incentive
- Rebate – A partial refund of the original price of the product

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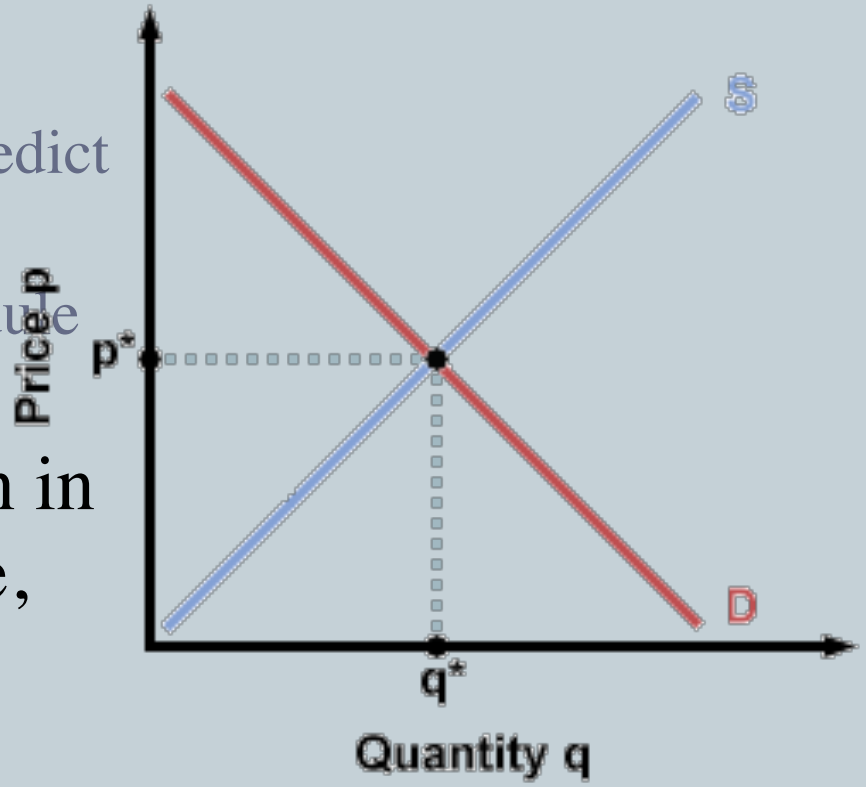
- Economic Model – A set of assumptions that can be listed in a table, illustrated with a graph, or even stated algebraically
  - Used to help analyze behavior and predict outcomes
  - Show example (demand/supply schedule & Graph)
- Market Equilibrium – A situation in which prices are relatively stable, and the quantity of goods or services supplied is equal to the quantity demanded



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- Surplus – A situation in which the quantity supplied is greater than the quantity demanded at a given price
- Shortage – A situation in which the quantity demanded is greater than the quantity supplied at a given price
- Equilibrium Price – The price that demand meets supply
  - Show Examples of all three

Warm Up

- What is Marginal Cost?
- What is Variable Cost?
- What are the 7 factors that shift the supply curve?
- Graph a surplus
- Graph a shortage
- What is fixed cost?
- What is overhead?
- What is the total cost of production?
- Name the candidates that are currently running for California Governor

Chapter 6

- What happens when the supply AND demand curves move?
  - Show examples
- Price Ceiling – A maximum legal price that can be charged for a product
  - Show example
- Price Floor – The lowest legal price that can be paid for a good or service
  - Ex) minimum wage
  - Graph example

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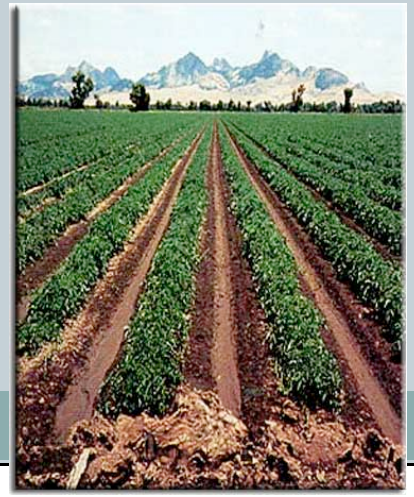
- Target Price – A price set with a price floor or ceiling
- Nonrecourse Loan – A loan that carries neither a penalty nor further obligation to repay if not paid back
- Deficiency Payment – A check sent to producers that makes up the difference between the actual market price and the target price



- All Content Created by DJ Cook