

**Unit 6**

**Lesson 24**

**Externalities**

**New Key Terms:**

1. Externalities:
2. Positive Externalities:
3. Negative Externalities:

**Class Notes:**

1. What causes externalities?
2. What are the two types of externalities?
3. What are examples of each?

**Demand**

**Lesson 25**

**Key Terms:**

1. Complements:
2. Substitutes:
3. Substitution effect:
4. Income or Wealth effect:
5. Demand:
6. Law of Demand:
7. Individual demand schedule or graph:
8. Market demand schedule or graph:

**Class Notes:**

1. What were some products (goods and services) in demand when your teacher was in high school?
2. What are some goods and services (products) in demand in NY during the winter?
3. What is demand?
4. What are some examples of demand?
5. What is the Law of demand?
6. What is the nature of demand?
	1. The obvious cost?
	2. Why price is important?
	3. What purchasing one product means?
	4. What is the significance of an increase in the price of a product?
	5. What can we expect knowing the Law of Demand?
7. Why are there sometimes “exceptions” to the Law of Demand?
8. Why the Law of Demand occurs?
9. What is the relationship of demand and income/wealth?
10. What is the income/wealth effect?
11. Why is this frequently now being called the wealth effect?
12. What is an example of the income effect?
13. Why is the drop in housing prices pushing the country into a recession?
14. What is the difference between normal and inferior goods?
15. How can you predict in October what the Holiday shopping season will be like?
16. What wants might you satisfy in your income increases?
17. How does an increase in income affect our purchases of inferior goods?
18. Why does the substitution effect occur?
19. What are examples of substitute goods?
20. What are complementary goods?
21. What are examples of complementary goods?
22. What are individual and market demand schedules/graphs?
23. Individual Demand Schedule:

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 38. Individual Demand Curve:



39. Market Demand Schedule:

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40. Market Demand Curve:



41. What can cause a shift in demand?

42. Why a change in price of a product will not shift a demand curve for THAT product.

**Lesson 26**

**Elasticity of Demand**

(16 points)

**Key Terms:**

1. Elasticity:

44. Elasticity of demand:

45. Inelastic:

**Class notes:**

1. What is elasticity:
2. What is elasticity of demand simply stated?
3. What risk is there in raising prices to cover higher costs?
4. What are inelastic goods?
5. Why needs and “important” wants are inelastic?
6. Why can the unknown variable influence inelasticity?
7. What is the relationship between price and elasticity of demand?
8. What factors affect elasticity of demand?
9. What is the relationship of elasticity of demand to increasing revenue?
10. What is the “magic formula” in determining the elasticity of a product?
11. How fast is elasticity?
12. How is it possible that DLS can raise their tuition and still have a full school of student?
13. How can a Broadway show or concert raise their prices and still have a sell out crowd?

**Lesson 27**

**Supply and Elasticity of Supply**

(31 points)

**Key Terms:**

1. Supply:
2. Law of Supply:
3. Individual supply schedule/graph
4. Market supply schedule/graph:
5. Elasticity of Supply

**Class Notes:**

1. What is Supply?
2. What is the Law of Supply?
3. Why does a higher price increase supply?
4. Thinking about what occurred in Louisiana following Katrina, why will the storm result in an increase in the price of certain items?
5. Why did the success of the first disco bands result in an increase in the supply of disco music?
6. How did the initial trend in low carb diets (highly recommended by a certain econ teacher) result in the introduction of many low carb food products?
7. What are individual and market supply schedulers/curves?
8. Individual Supply Schedule:

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 72. Individual Supply Curve:



73. Market Supply Schedule:

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74. Market Supply Curve:



1. What is elasticity of supply?
2. Why is time a factor in elasticity of supply?
3. What can cause a shift in supply?
4. What are production costs?
5. What is the role of new technologies to changes in supply?
6. What are variable costs?
7. Examples of variable costs?
8. What are fixed costs?
9. What are total costs?
10. What role can government play with regards to supply?
11. Why government subsidies work?
12. Why increasing taxes can reduce supply?
13. What role do government regulations play in influencing supply
14. What are other influences on supply?
15. Why is the number of suppliers important?

**Lesson 28**

**Combining Supply and Demand**

(30 points)

**Key Terms:**

1. Equilibrium:
2. Disequilibrium
3. Price floor:
4. Price ceiling:
5. Subsidy or Price support:

**Class Notes:**

1. What is the Law of demand?
2. What is the Law of Supply?
3. How do we illustrate supply and demand combined?
4. What is equilibrium
5. What is disequilibrium?
6. What are the two causes of disequilibrium?
7. What are three forms of government intervention affecting equilibrium?
8. What is a price ceiling?
9. What is rent control and why is it a price ceiling?
10. Why do we have rent control?
11. What are four effects of rent control?
12. Why is there a disincentive to supply new housing?
13. Why does rent control always result in a permanent shortage of housing?
14. Why is New York City the largest landlord in the city?
15. Why is College Ave in Oakland nicer than College Ave in Berkeley?
16. What is a price floor?
17. What is minimum wage and why is it a price floor?
18. Why does minimum wage always result in permanent unemployment?
19. What are subsidies and how do they affect equilibrium?
20. What three shifts can cause a change in equilibrium?
21. Why does the teacher disagree with those who oppose rent control as unnecessary government intervention in the market for labor?
22. Individual Supply and Demand Schedule:

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 117. Individual Supply and Demand Curve:



118. Market Supply and Demand Schedule:

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119. Market Supply and Demand Curve:



**Lesson 29**

**Understanding Rent Control and Minimum Wage**

(37 points)

**Rent Control**

**Class Notes:**

1. What is rent control?
2. What was/is the purpose of rent control?
3. How does rent control work?
4. What is the history of rent control?
5. Where does rent control exist?
6. What is the relationship between Rent control and equilibrium?
7. Why there is a disincentive to create new housing.
8. What does rent control ultimately result in?
9. Graphing rent control.
	1. The town establishes a maximum rent of $600.00
	2. The market demand and supply schedule in units of housing is follows:

Market Demand and Supply schedule:

Price Supply Demand

0 0 2000

200 100 1500

400 300 1100

600 500 900

800 700 700

1000 1100 500

1200 1500 300

Graphing:



1. What is the actual shortage?
2. How could the city use a subsidy to increase the number of units available?
3. What other methods of increasing housing that could be used?
4. What is Section 8 and what was its purpose?
5. How can you get your first house at a discount?
6. Why does rent control always result in a shortage of housing?

**Minimum Wage**

1. What is minimum wage?
2. What is the purpose of minimum wage?
3. How does minimum wage work and who sets it?
4. What is minimum wage in The US, California, and San Francisco?
5. What does the President support with regards to minimum wage?
6. Why do many economists oppose a major increase in minimum wage?
7. What is the relationship of minimum wage and equilibrium?
8. Why there is a disincentive to hire?
9. What are the additional cost added to wages?
10. What are the ultimate results of minimum wage?
11. What is the cost benefit analysis of minimum wage, why we are better off?
12. What argument does Mr. Lopez make in supporting minimum wage?
13. Graphing minimum wage
	1. The city establishes a minimum wage of $9.00 per hour
	2. The market demand schedule (for workers by employers) and market supply schedule (the number of people willing to work) for labor is as follows:

Market supply and demand schedule for labor:

Wage Supply Demand

$5 200 1500

$6 300 1000

$7 500 900

$8 800 800

$9 900 700

$10 1000 500

$11 1500 300

Graphing:



1. What is the resulting excess supply (unemployment)?
2. How could the city use incentives in increase employment?
3. Why does minimum wage always result in permanent unemployment?

**Lesson 30**

**Using Supply and Demand to Save endangered Species**

**Panda Meat anyone?**

1. oints)
2. What is the problem of extinction?
3. What are some goods that we will never run out of?
4. How many bulls are killed in Spain every year?
5. Why will Spain never run out of bulls?
6. Why were donkeys important in the past in Alhama de Almeria, Spain?
7. How many donkeys are in Alhama today?
8. What happened to the donkeys?
9. What is the problem with Panda’s?
10. How is China using economics to save the Panda?
11. How much does it cost to hold a Panda at China’s Panda “Center”?
12. Why does China always have baby Pandas there?
13. What methods is China using to increase Panda population?
14. What evidence is there that China is having some success?
15. How can China be more successful in this endeavor?
16. Why are there Tiger farms in India?

**Understanding Blubber the ultimate solution to the energy “crisis”**

1. Why does Mr. Lopez and some economists suggest looking at the history of the whaling industry and blubber to find the solution to the current energy crisis?
2. What replaced candles as a source for lighting?
3. What was the incentive that motivated whalers?
4. How fast did this industry grow?
5. As demand increased for blubber what happened to the whales?
6. How is this similar to what has occurred in the petroleum industry?
7. How were market forces working in the whaling industry and why did a shortage develop?
8. How bad did the Blubber crisis get and what was the result?
9. How did the free market save the remaining whales?
10. Why will we never run out of petroleum if we rely on the free market?
11. How will the Law of Supply continue to supply petroleum until we switch to another energy source?
12. How will the Law of Supply provide us with these alternative energy sources?
13. What is the danger of attempts to hold down petroleum prices?
14. What will result at the gas pump if government establishes price ceilings for gas prices?
15. What was so great about the article in Wired Magazine?
16. Why does Mr. Lopez support letting gas prices increase in the marketplace?

**Lesson 31**

**Odds and Ends**

1. Excise taxes:
2. Progressive taxes:
3. Regressive taxes:
4. What are the three ways that a business may be organized?
5. What are the two types of partnerships?
6. What are examples of excise taxes?
7. Why are excise taxes regressive**?**
8. What is income tax?
9. Why is income tax a progressive tax?