
CHAPTER SIX: PRICE

SECTION 1,2 & 3



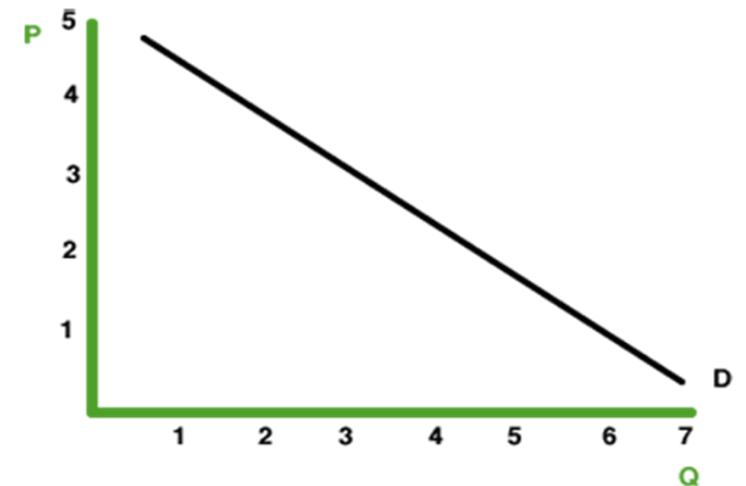
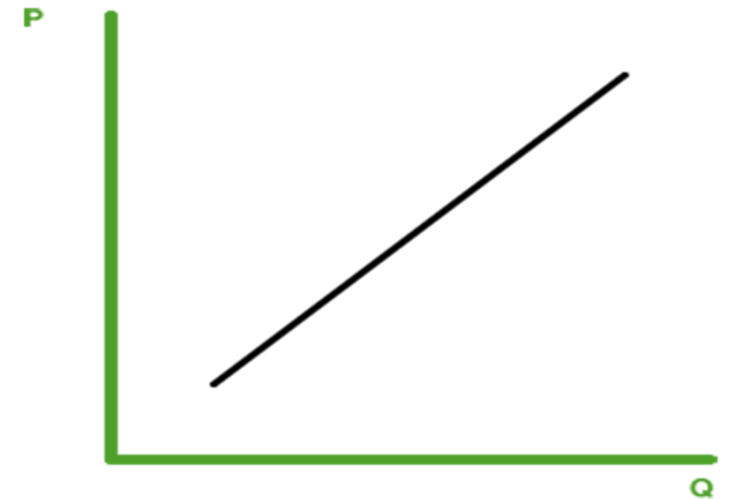
**I CAN EVALUATE HOW THE
GOVERNMENT CAN MANIPULATE
PRICES.**

**I CAN EVALUATE SCENARIOS THAT
WOULD CAUSE GOVERNMENT
INTERVENTIONS IN THE MARKET.**

BELL WORK

What is the law of demand?

What is the law of supply?



VOCABULARY

1. Surplus
2. Shortage
3. Equilibrium price
4. Rationing
5. Rebate
6. Price



RATIONING

Ration

When a government agency decides everyone's fair share

| | | | | | | |
|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|--|
| FUEL OIL 25 GALLONS | FUEL OIL 25 GALLONS | FUEL OIL 25 GALLONS | FUEL OIL 25 GALLONS | FUEL OIL 25 GALLONS | FUEL OIL 5 GALLONS | K-1148 (Zone B-1) SERIAL N ^o 695436 A UNITED STATES OF AMERICA OFFICE OF PRICE ADMINISTRATION FUEL OIL RATION Class 5 Consumer Coupons <small>Dealers in fuel oil or their representatives are hereby authorized to deliver fuel oil to the following person or his agent at the specified address only, and are required to detach from this sheet coupons having a gallonage value equal to the quantity of fuel oil delivered, in accordance with the rules and regulations of the Office of Price Administration in effect at the time of such delivery.</small> Issued to _____ For use at _____ <small>(Street and number)</small> _____ <small>(City and State)</small> For period from _____, 194... to _____, 194... This sheet consists of _____ five-unit coupons and 200 gallons in change coupons. Date issued _____, 194... War Price and Rationing Board number and address: _____ Received by _____ <small>☆ 800 10-34715-1 (Signature of coupon holder)</small> |
| FUEL OIL 5 GALLONS | FUEL OIL 5 GALLONS | FUEL OIL 5 GALLONS | FUEL OIL 5 GALLONS | FUEL OIL 5 GALLONS | FUEL OIL 5 GALLONS | |
| FUEL OIL 5 GALLONS | FUEL OIL 5 GALLONS | FUEL OIL 5 GALLONS | FUEL OIL 5 GALLONS | FUEL OIL 1 GALLON | FUEL OIL 1 GALLON | |
| FUEL OIL 1 GALLON | FUEL OIL 1 GALLON | FUEL OIL 1 GALLON | FUEL OIL 1 GALLON | FUEL OIL 1 GALLON | FUEL OIL 1 GALLON | |
| FUEL OIL 1 GALLON | FUEL OIL 1 GALLON | FUEL OIL 1 GALLON | FUEL OIL 1 GALLON | FUEL OIL 1 GALLON | FUEL OIL 1 GALLON | |
| FUEL OIL 1 GALLON | FUEL OIL 1 GALLON | FUEL OIL 1 GALLON | FUEL OIL 1 GALLON | FUEL OIL 1 GALLON | FUEL OIL 1 GALLON | |
| FUEL OIL 50 GALLONS | FUEL OIL 50 GALLONS | FUEL OIL 50 GALLONS | FUEL OIL 50 GALLONS | FUEL OIL 50 GALLONS | FUEL OIL 50 GALLONS | |

Ration Coupon

A ticket or coupon entitles you to obtain a product

| | | | |
|-----------|--------------------------|--|--------------------|
| RA 804598 | 5 | UNITED STATES OF AMERICA OFFICE OF PRICE ADMINISTRATION | 5 |
| | RATION COUPON | | |
| | FOR | | |
| | FIVE POUNDS SUGAR | | |
| | 5 | OPA Form R-325 (Rev. 2-44) | 10-34715-2 ☆ (GPO) |

REBATE

Partial rebate of price. Intended to stimulate sales.

Why?



8 CARS WITH \$10,000 EMISSIONS TAX REBATES



Hyundai Ioniq



BMW 118d



Honda Jazz



Mazda 2



Mitsubishi Attrage



Mercedes-Benz B180



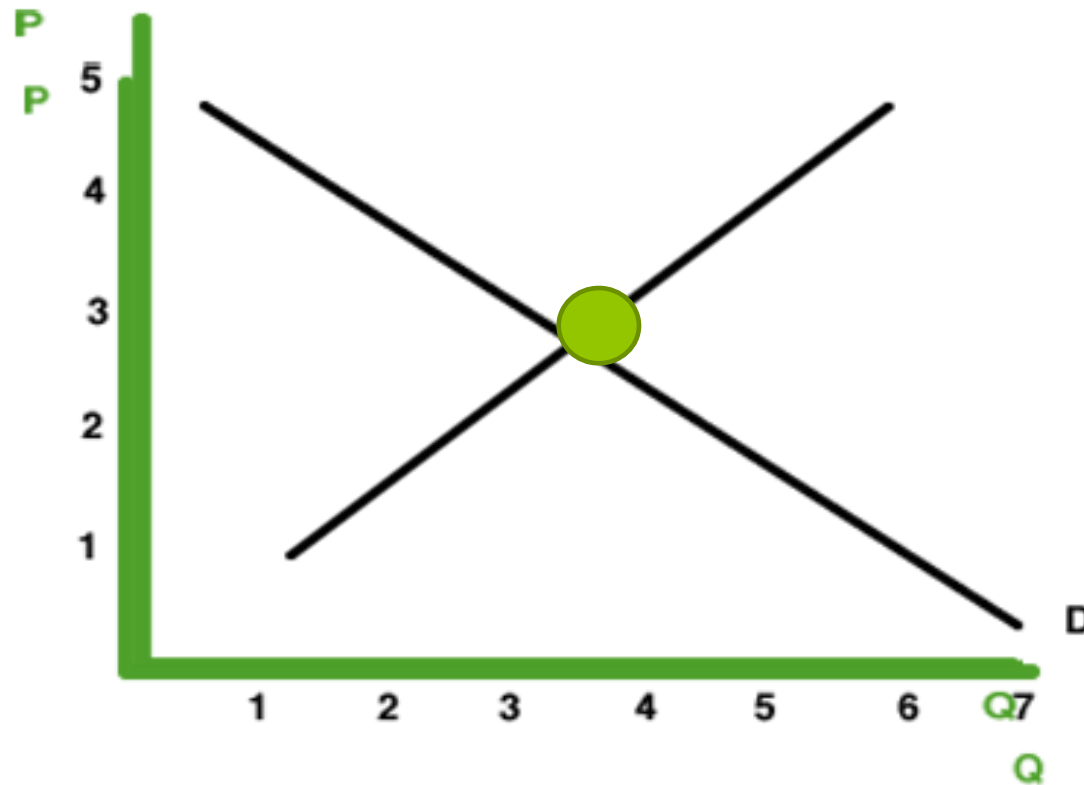
Toyota Prius C



Honda Grace



WHEN THE 2 LAWS MEET WE GET THE EQUILIBRIUM PRICE

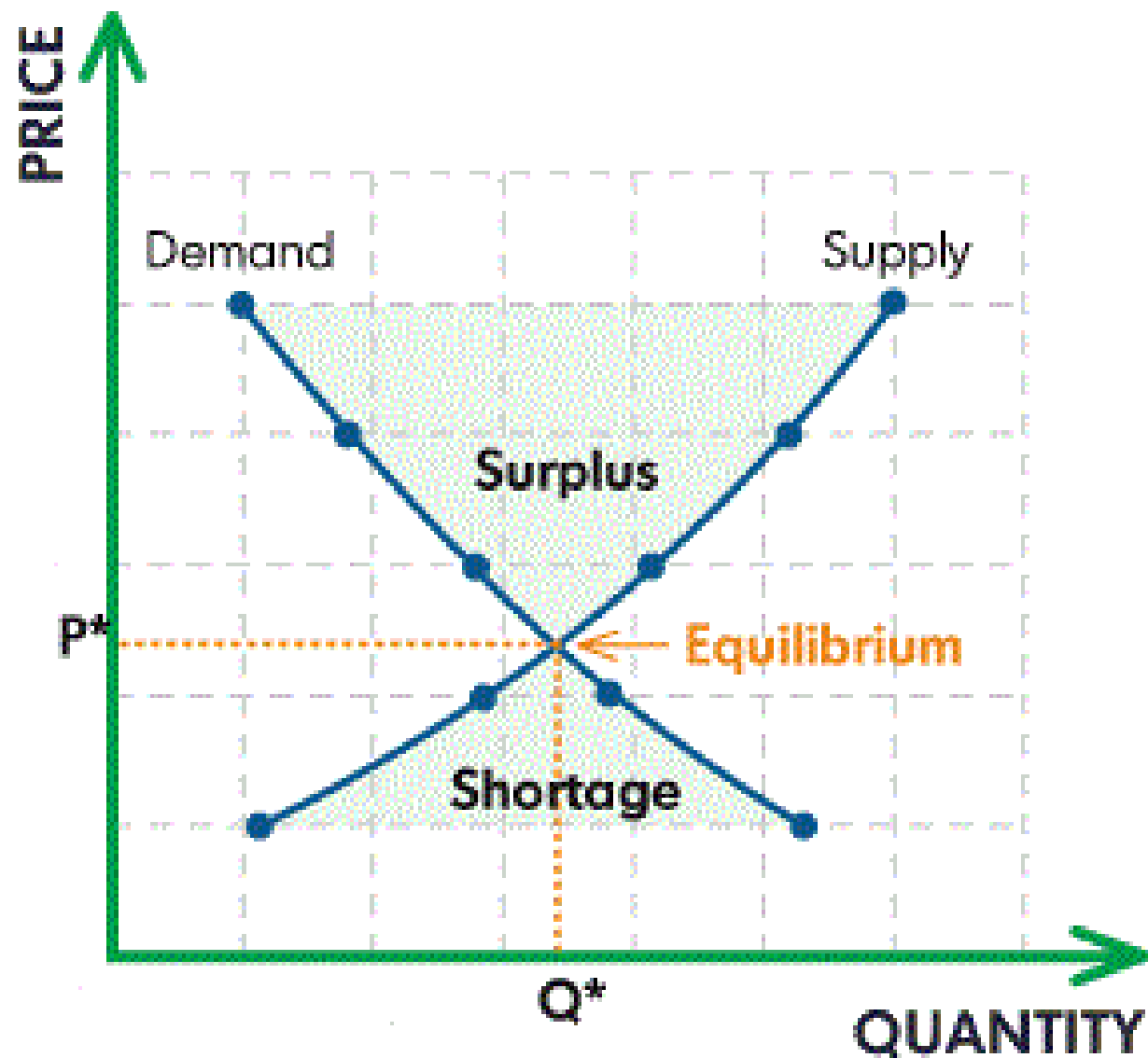


Law of Supply

Law of Demand



JUST WHY IS GAS SO EXPENSIVE?



WHEN THE 2 LAWS MEET WE GET THE EQUILIBRIUM PRICE

Law of Demand

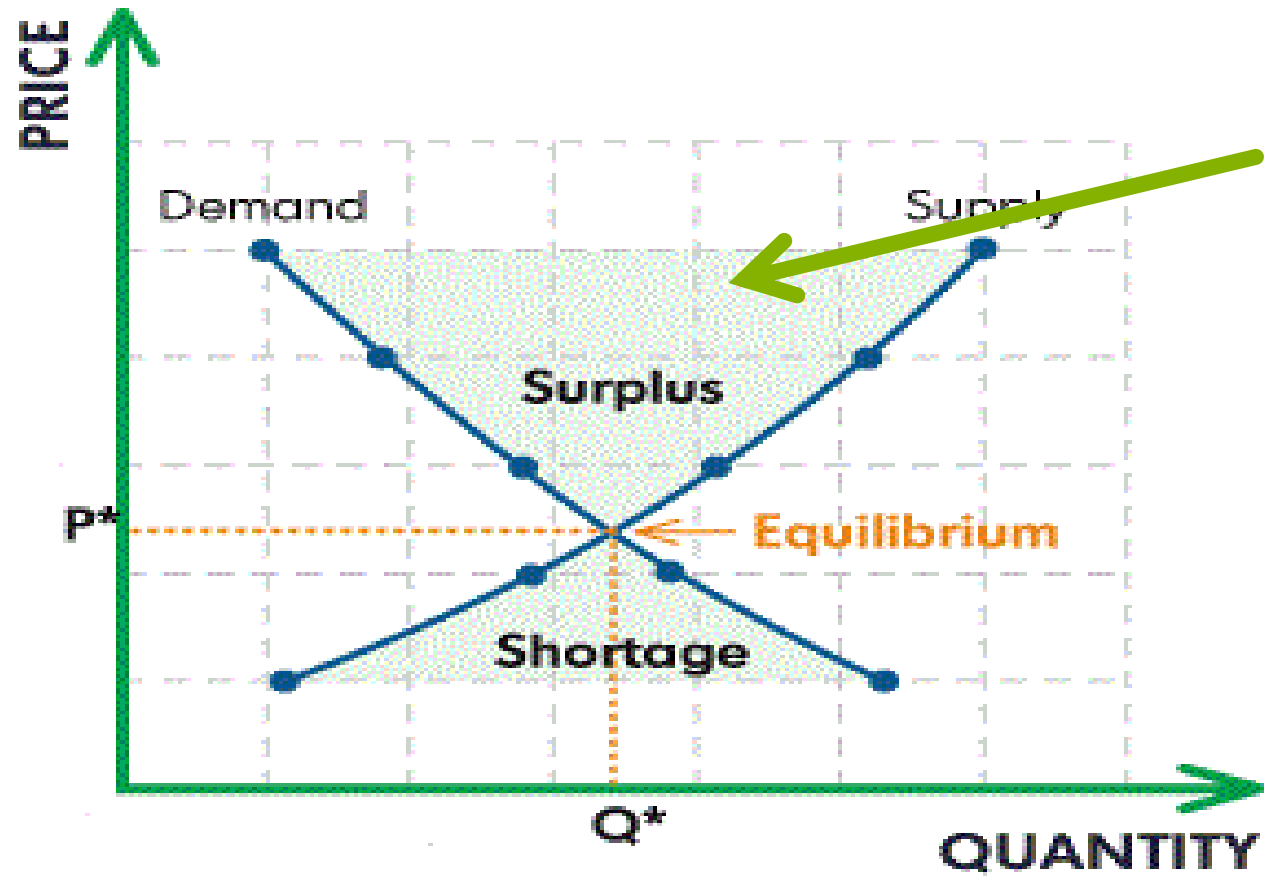


Law of Supply

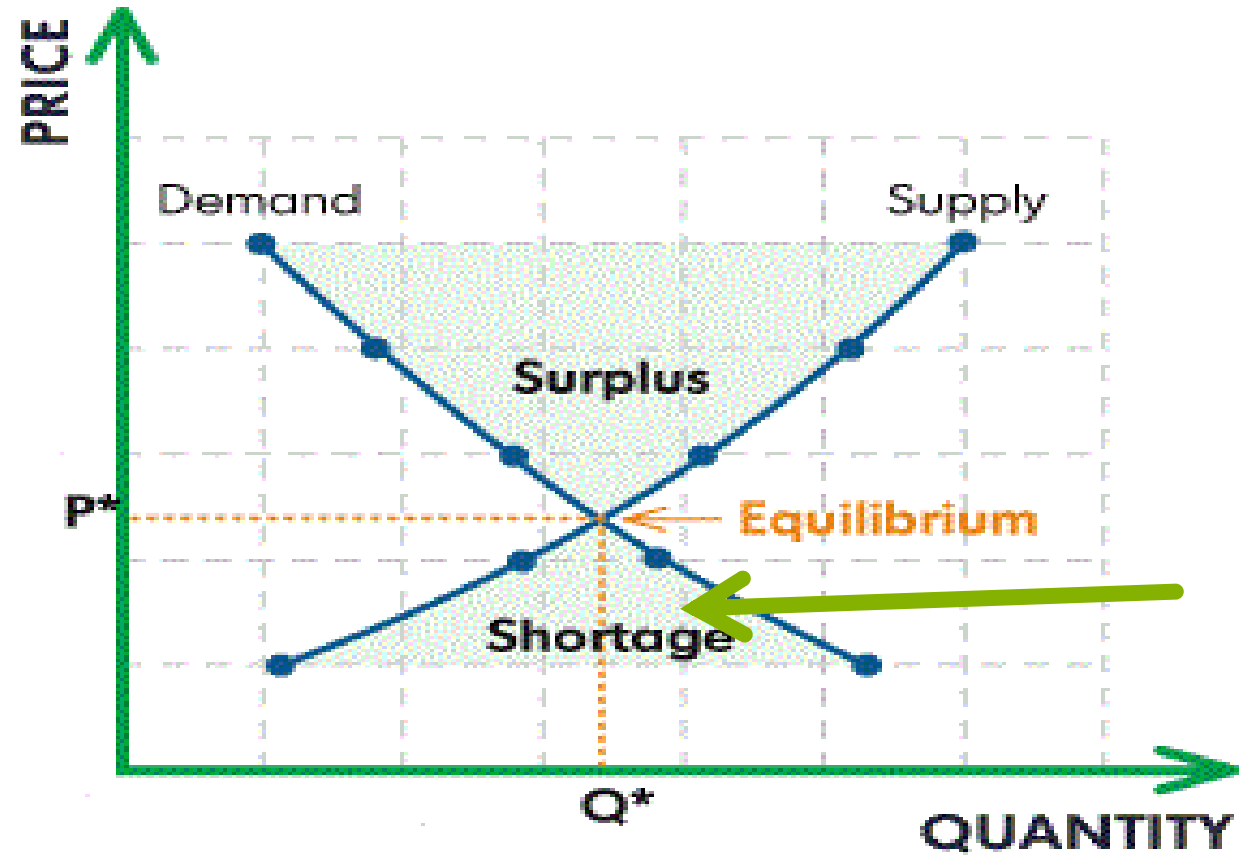
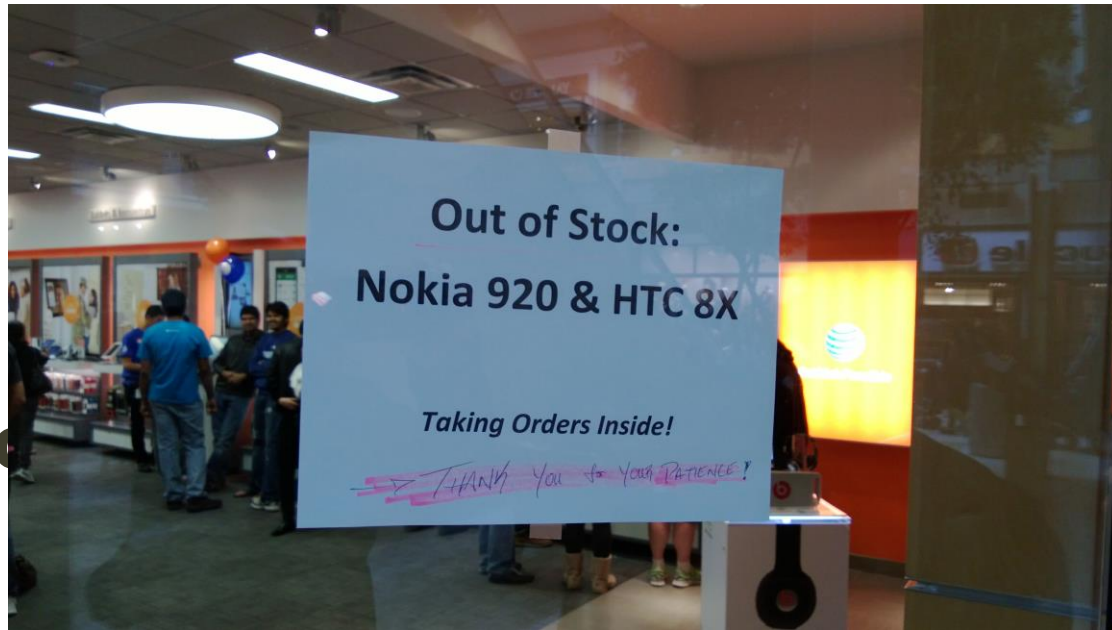


**make
Money**

SURPLUS



SHORTAGE



MAN MADE SHORTAGES

THE BIG GEM COMPANIES AGGRESSIVELY CONTROL THE SUPPLY THAT ARRIVES AT MARKET, CREATING ARTIFICIAL SCARCITY AND HIGH PRICES.



PRICE-MONETARY VALUE OF A PRODUCT

High price signal buyers to buy less
and producers to produce more



Shoes made in collaboration with celebrities
(Kanye West, Drake, The Rock , Kevin Hart,
Pharrell and Rihanna).

Low prices signals to buyers to buy
more and producers to produce less

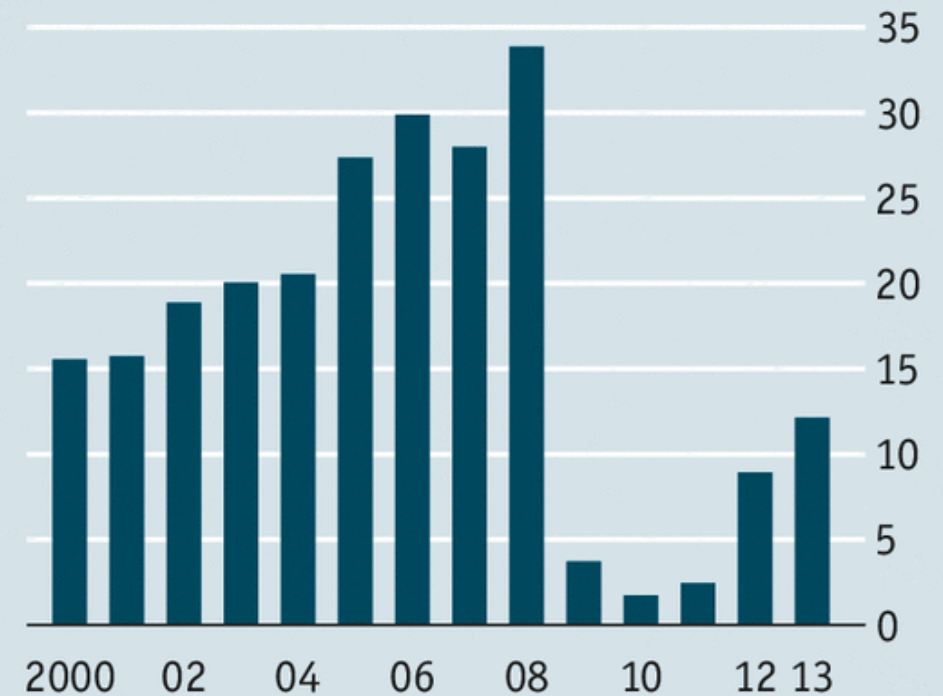


PRICE CEILING

- **Maximum legal price that can be charged for a product.**
- **Price ceilings** always create a shortage. In the case of housing in New York developers make more on hotels, offices or parking structures.

Homeless

NYC new residential unit building permits, '000



Source: NYU Furman Centre

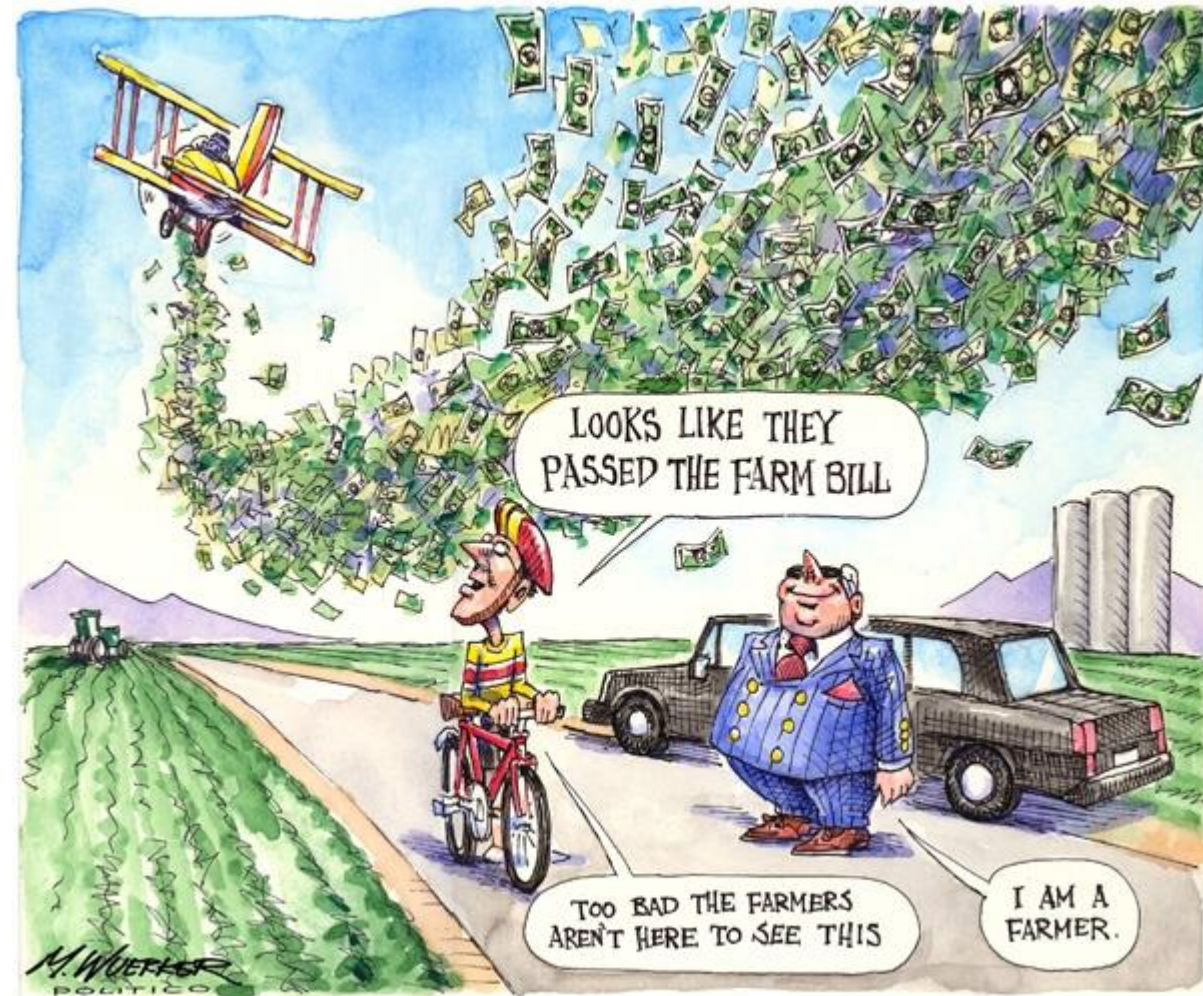
PRICE FLOOR

- Lowest legal price that can be paid for a good or service. The most common example is **minimum wage**.
- Price floors always lead to surplus in the case of **minimum wage** you have a surplus of employees (people get fired).



WHAT ABOUT FARMERS?

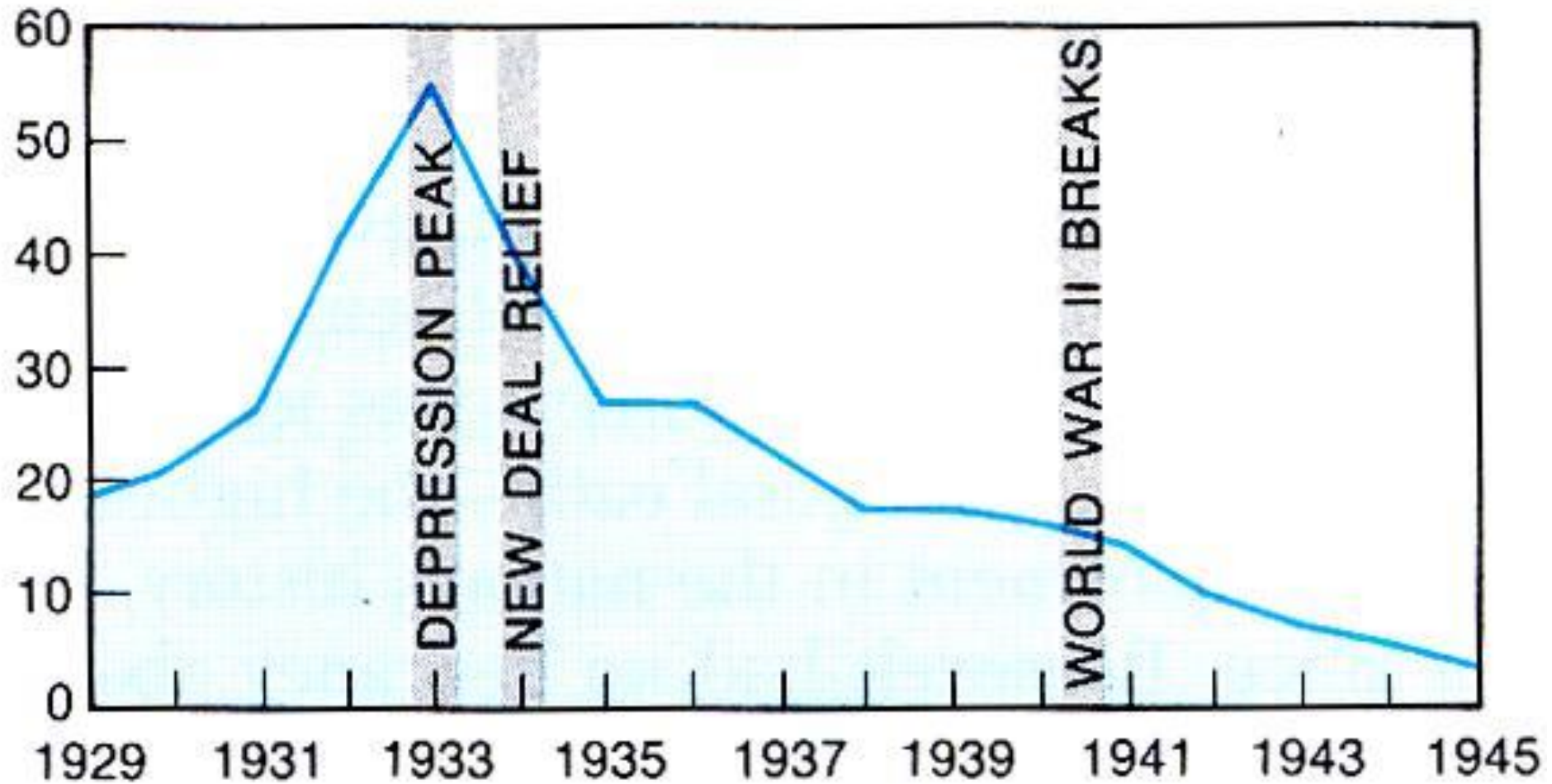
1. **Target Price:** Stabilizes prices for farmers by creating a price floor.
2. **Nonrecourse loan:** Loan that carries no obligation of repayment or penalties.
3. **Deficiency payment:** A check made from the government to make up the difference between the market price and the target price



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Farm Foreclosures and Defaults, 1929-1945

PER THOUSAND FARMS



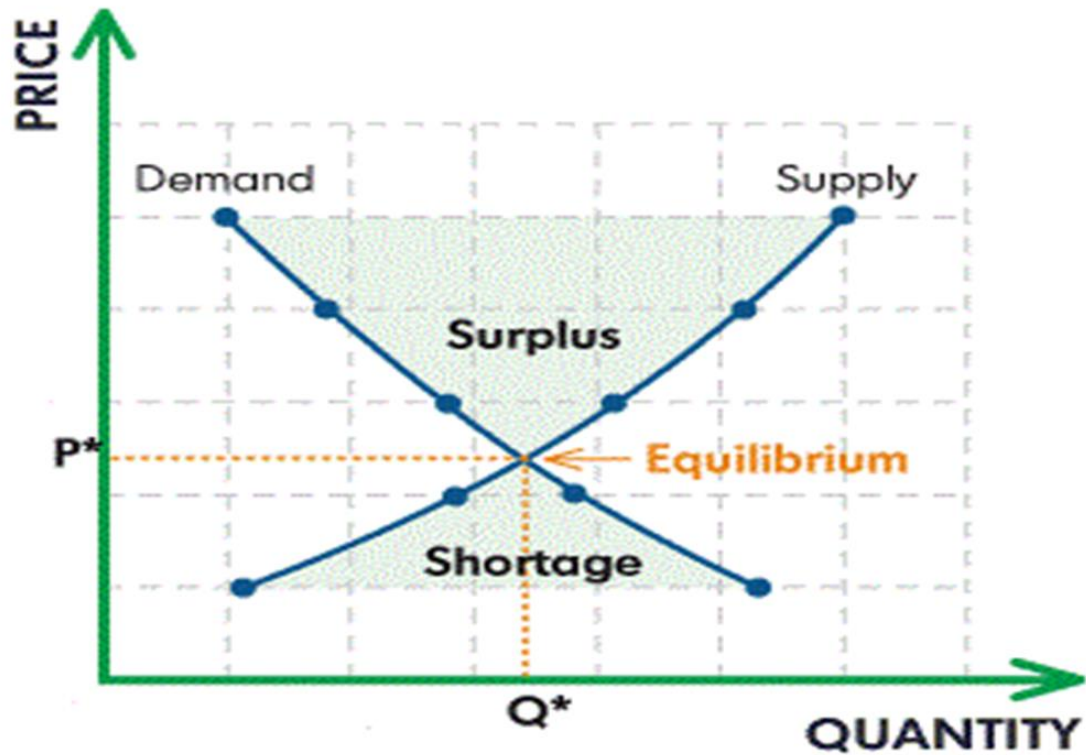
BELL WORK

If the NFL got rid of the price floor would there be more or less players?

Would the NFL players get paid more or less if the NFL had a price ceiling?



BELL WORK



1. What is a surplus?

2. What is a shortage?

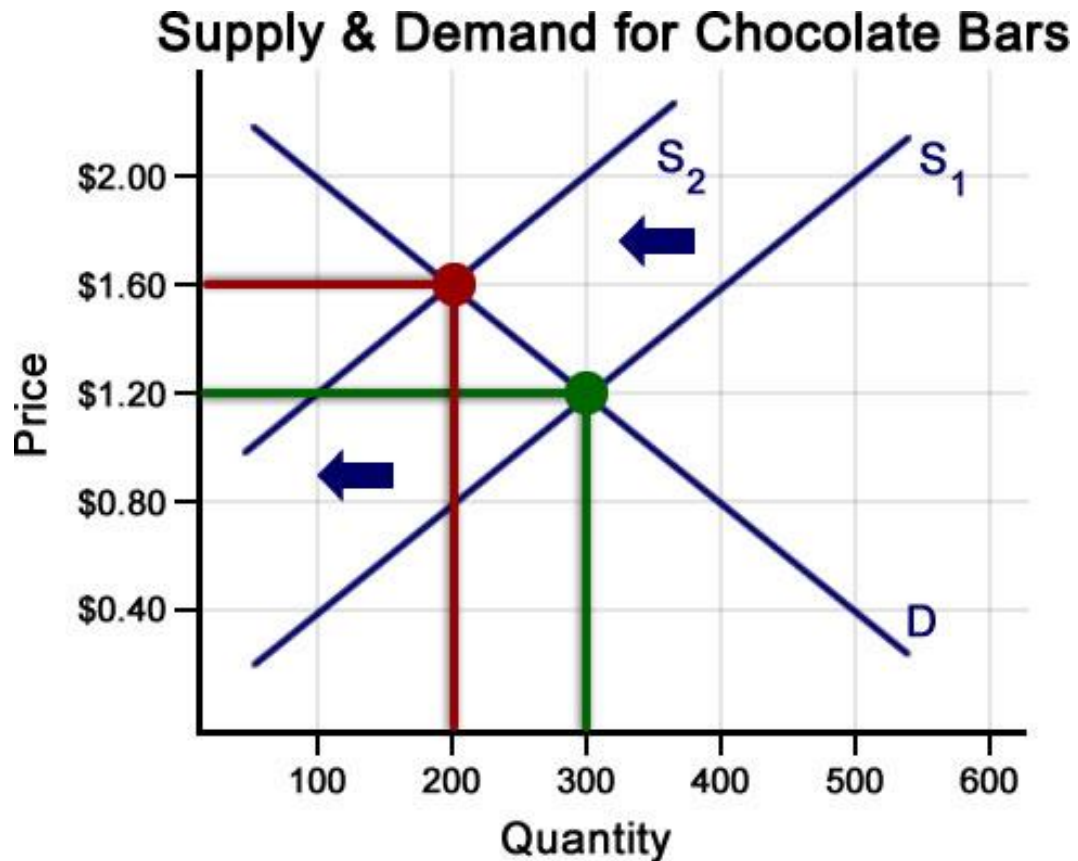
Equilibrium = Perfection

GRAPHS AND EQUILIBRIUM

CHAPTER SIX

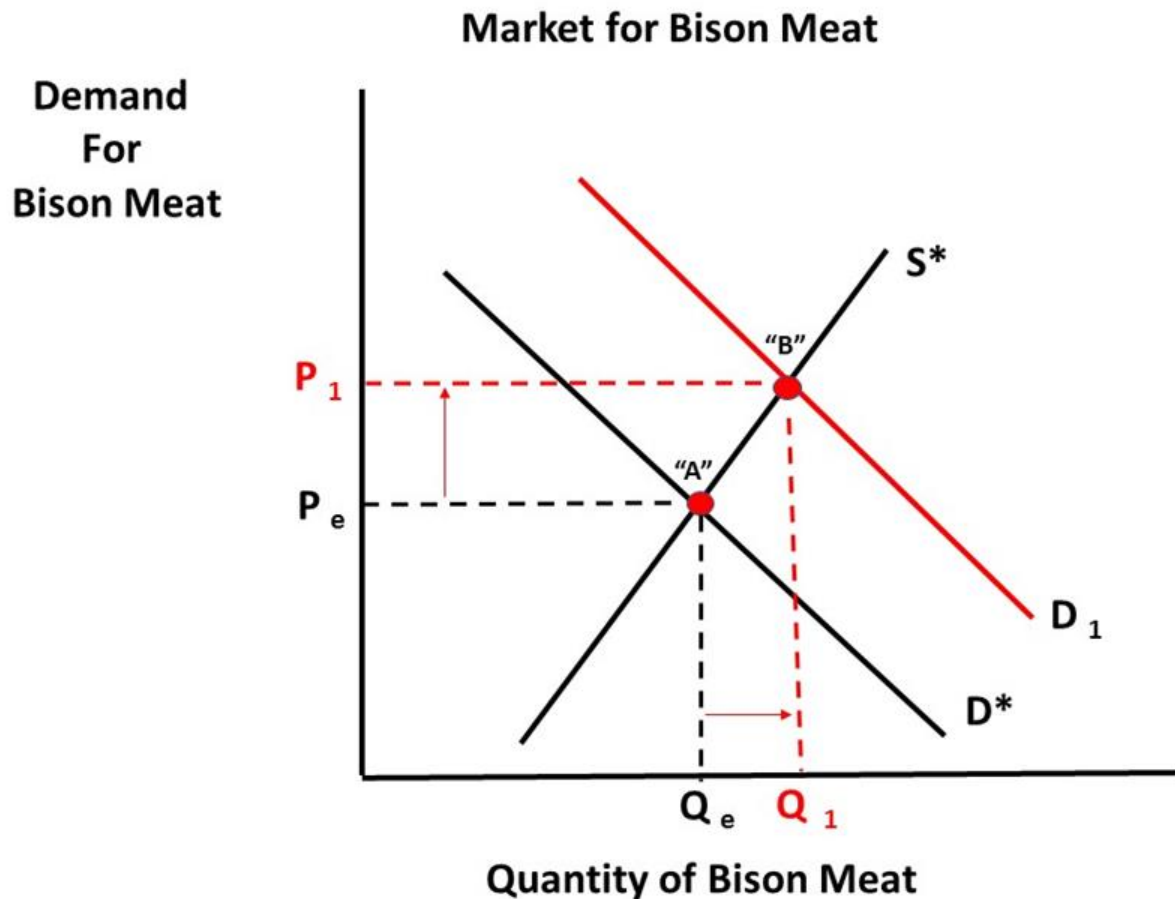


SHIFTS IN SUPPLY



1. What happens to the price of chocolate bars when the **supply** decreases?
2. What happens to **demand**?

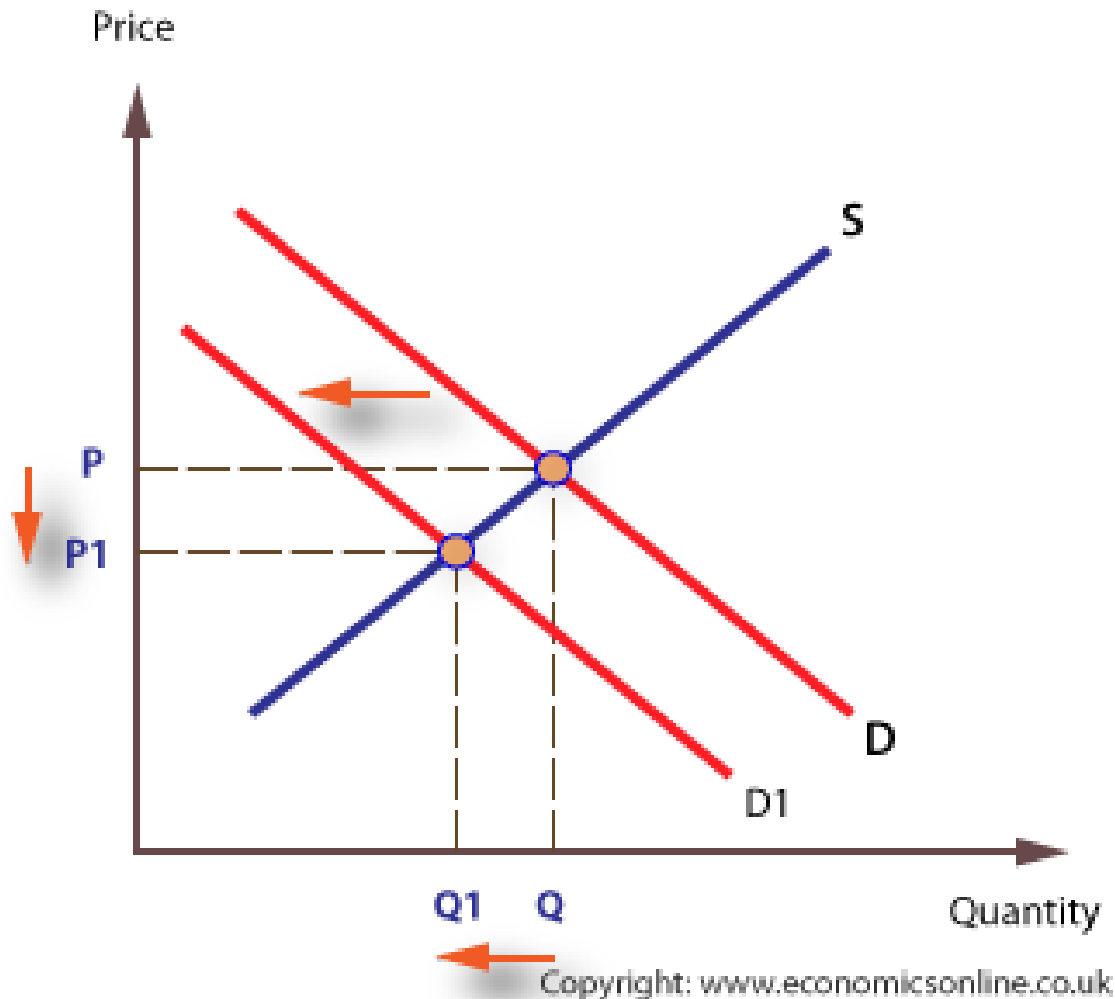
SHIFT IN DEMAND



3. What happens to the **price** of bison meat when the **demand** goes up?

4. Does the **quantity** change?

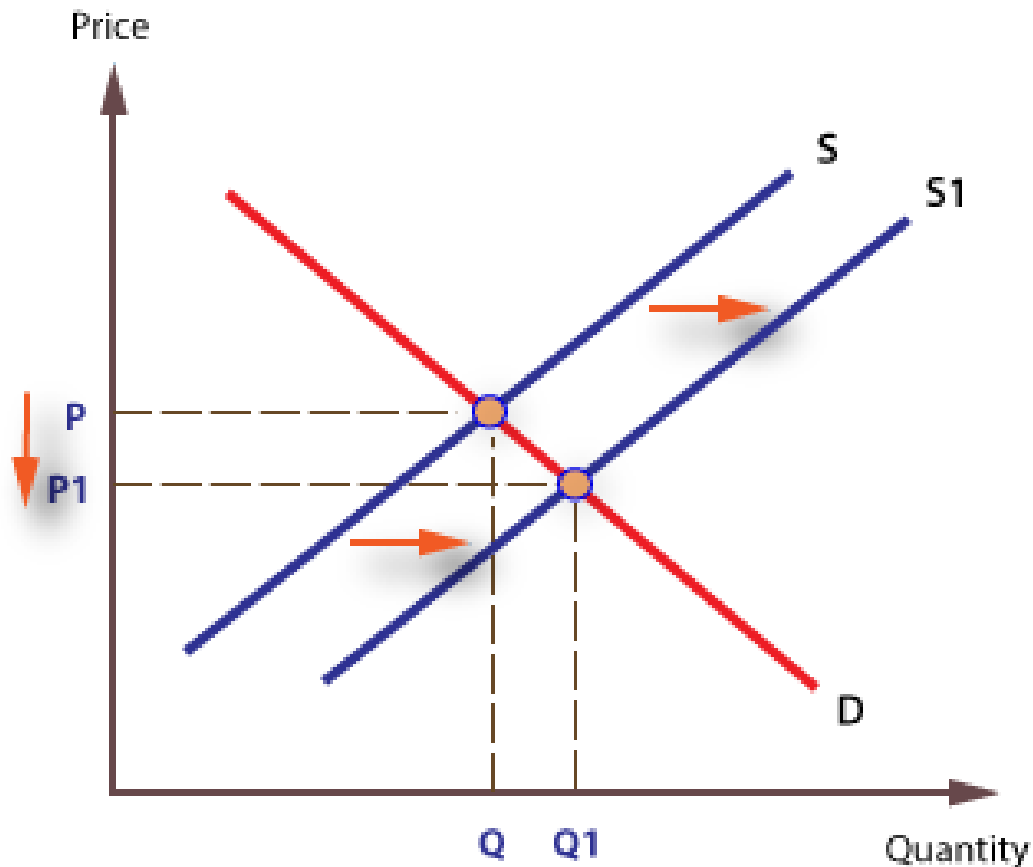
EQUILIBRIUM SHIFT



5. What changes in this economic model?

6. What can cause demand to shift?

EQUILIBRIUM SHIFT



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7. What changes in this economic model?

8. What can cause supply to shift?

REVIEW (PAGE 164-165)

Review Content Vocabulary

1-6

Review the Main Ideas

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Critical Thinking

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