**Chapter 3 Learning Goal Outline: Competitive Dynamics and Government**

**Primary Goals:**

1. comprehend price elasticity of demand, its relation to other demand elasticities, and its impact on sellers’ revenues
2. understand the price elasticity of supply and the links between production periods and supply
3. identify how price elasticities of demand and supply determine the impact of an excise tax on consumers and producers
4. explain how governments use price controls to override the “invisible hand” of competition

**Key Terms:**

|  |  |
| --- | --- |
|  constant-cost industry, 72  cross-price elasticity, 68  elastic demand, 61  elastic supply, 70  excise tax, 74  immediate run, 71  income elasticity, 67  increasing-cost industry, 72  inelastic demand, 61  inelastic supply, 70 long run, 71  | perfectly elastic demand, 62  perfectly elastic supply, 72  perfectly inelastic demand, 62  perfectly inelastic supply, 71  price ceiling, 77  price elasticity of demand, 61  price elasticity of supply, 70  price floor, 77  short run, 71  total revenue, 62  unit-elastic demand, 64 |

**Our Learning Path:**

Thorstein Veblen

Price Elasticity of Demand

Elastic and Inelastic Demand

Perfectly Elastic and Inelastic Demand

Price Elasticity of Demand and Total Revenue

Elastic, Inelastic, and Unit-Elastic Demand

Factors That Affect Price Elasticity of Demand

Portion of Consumer Income, Access to Substitutes, Necessities vs Luxuries, Time.

Calculating Price Elasticity of Demand

Review Questions - Page 69 (1, 2a,b,c,d, 3a,b,c)

Price Elasticity of Supply

Elastic and Inelastic Supply

Factors That Affect Price Elasticity of Supply

The Immediate Run, The Short Run, The Long Run.

Calculating the Price Elasticity of Supply

Review Questions - Page 73 (1a,b,c. 2.)

Excise Taxes

The Impact of an Excise Tax

The Effect of Price Elasticity of Demand

The Effect of Price Elasticity of Supply

The Role of Elasticity in Tax Policy

Price Controls

Agricultural Price Supports

Winners and Losers

Minimum Wages as a Price Support

Rent Control

Winners and Losers

Review Questions – Page 81 (1a,b,c)

Karl Marx

His Influence, Views of Capitalism, the Communist Revolution, and Relevance.

Review Questions – Page 88 (1,2,3)