

## Learning Objectives

### Chapter 6

#### In this chapter you will

Learn the difference between a binding price ceiling and a binding price floor

Examine the effects of government policies that place a ceiling on prices

Examine the effects of government policies that put a floor under prices

Consider how a tax on a good affects the price of the good and the quantity sold

Learn that taxes levied on buyers and taxes levied on sellers are equivalent

See how the burden of a tax is split between buyers and sellers

Learn that a subsidy is the opposite to a tax

#### You should be able to

Describe the conditions necessary for a price ceiling to be a binding constraint

Explain why a binding price floor creates a surplus

Demonstrate why a tax placed on a good generally reduces the quantity of the good sold

Demonstrate why the results are the same when a tax is placed on the buyers or sellers of a good

Demonstrate how taxes affect market outcomes

Show whether the buyers or sellers of a good bear the burden of the tax when demand is inelastic and supply is elastic

Show how a subsidy can affect market outcomes