

### Taylor Economics 3

1. What model do economists use to explain how prices are determined?
2. What are the three elements of the model described in number one?
3. Define demand.
4. Why do economists use *ceteris paribus*?
5. What is quantity demanded?
6. Compare and contrast demand and quantity demanded.
7. What is  $Q_d$  of bicycles when the price is \$240?
8. What is the difference in information between a demand schedule and demand curve?
9. Define the law of demand.
10. Give an example of the law of demand in practice.
11. What axis does price go on?
12. Quantity demanded would be found on what axis?
13. Define demand schedule.
14. Define demand curve.
15. Describe the orientation of the demand curve.
16. What kind of relationship exists between price and quantity demanded?
17. How does *ceteris paribus* explain increased demand for an item experiencing a cut in price?
18. What happens to  $Q_d$  of red wine if the scientific community states that moderate consumption of red wine increases a person's life span.
19. Create a graph showing your answer in number 18. Assume the price is \$8.00 a bottle and  $Q_d$  of the original demand curve is 20,000 bottles.
20. What happens to the price when the demand curve shifts?
21. How does consumer preference lead to demand curve shifts?
22. How can consumer information result in a shift in the demand curve?
23. Why does an increase or decrease in consumer income cause a shift in the demand curve?
24. Define normal good.
25. Define inferior good.
26. Create a scenario where you give an example of a normal and inferior good.
27. How does the number of consumers in the market predict a shift in the demand curve?
28. Explain how consumers' expectations of future prices produce a new demand curve.
29. What happens to the demand curve if prices fall for a product?
30. What happens to the demand curve if prices rise for a product?
31. What is a substitute?
32. Give three examples of substitutes that aren't in the book.
33. How does a price change in one item impact the demand for a substitute not experience a price increase?
34. Define complement.
35. How would a decrease in smart phone prices affect demand for mobile internet?
36. What is the only thing that can cause a movement along a curve?
37. Create your own demand curve where you assign a price and quantity for Point A (that isn't in the book), and describe a change in price and  $Q_d$  and depict it in your curve as point B with assigned values.
38. Shifts in the demand curve are the result of what happening?
39. Compare and contrast demand, demand curve, demand schedule, and quantity demanded.
40. Define supply.
41. Define quantity supplied ( $Q_s$ ).
42. As a business owner would you be willing to supply more or less of an item you are currently selling for \$5 if the price rises to \$6?
43. What principle does your answer help describe?

44. In Table 3.2 how many bicycles are supplied ( $Q_s$ ) by business in Table 3.2 at P (price)= \$240?
45. What's the difference between a supply schedule and supply curve?
46. What does a supply curve show?
47. How do changing prices provide incentives to firms to increase or decrease their  $Q_s$ ?
48. Define supply curve.
49. How do improvements in technology lead to a shift in the supply curve?
50. Why does a change in input prices lead to a shift in the supply curve?
51. How can the number of firms in the market affect the supply curve?
52. Similarly to expectations of future prices on the demand side, how does expectations toward future prices affect the supply curve?
53. In what ways can the government affect the supply curve of firms in the market?
54. What causes a movement along the supply curve?
55. Why does the supply curve shift from time to time?
56. Describe in words a movement along the supply curve and construct such curve with a point A having defined price and  $Q_s$  and a point B with defined price and  $Q_s$ .
57. Draw the relevant curve(s) and clearly label all pieces of information for the following scenario: Firms have been supplying the following amounts of product (in the thousands) for the various prices following. 100 @ \$50, 80 @ \$40, 70 @ \$30, 55 @ \$20, 25 @ \$10. A cold front hits the eastern United States causing output to decline by 15%.
58. Provide 3 scenarios that would cause a shift in the supply curve in Figure 3.5 to the left.
59. Explain 3 scenarios that would cause the supply curve in Figure 3.5 to shift to the right.
60. What's the difference between moving from Point E to D in Figure 3.6 versus going from the light blue line to either of the dark blue ones.
61. How does going from Point D to Point E in Figure 3.6 reflect the law of supply?
62. Approximately how much quantity supplied is there at Point E on Figure 3.6?
63. What is a market in Economics?
64. Do problem 1 on page 81.
65. Do problem 2 on page 81.
66. Do problem 3 on page 81.
67. Do problem 4 on page 81.
68. Define shortage.
69. Draw a diagram with an equilibrium price of \$20. Show what is represented on the graph at a price of \$9.
70. Why will the price not be sustainable at \$9?
71. Draw a diagram with an equilibrium price of \$75. Show what is represented on the graph if the price is artificially set at \$90.
72. Why is the \$90 price unsustainable?
73. What is a "market clearing" or equilibrium price?
74. Why is it preferred to have markets in equilibrium?
75. How is equilibrium price determined?
76. In a market with an equilibrium price of \$60, what will happen if the price people pay is artificially raised to \$80?
77. Draw a diagram with an equilibrium price of \$100 and an equilibrium quantity of 50. Now assume that it has been medically shown that the product will extend your life by at least 3 years. Show what effect this will have on the displayed curves.
78. Using a different color draw dotted lines showing the effect on price and quantity demanded.
79. Draw a diagram with an equilibrium price of \$30. Now assume the product's availability becomes limited due to transportation problems. Show what will happen to the curves.
80. Using a different color show how price, supply and quantity supplied are affected.
81. Draw a diagram with an equilibrium price of \$45. Now assume that this product becomes identified

in the media as the next “must have” social-status item. Coincidentally, vast new sources of raw materials used to make this item become available. Using a different color, show what effect these changes will have upon supply, demand, quantity supplied, quantity demanded and price.

82. What is a price control?

83. In order to be effective where must a price ceiling be in relationship to equilibrium price?

84. If a price floor is established at \$10 and equilibrium price is \$25, what effect will the price floor have on the market?

85. If a price floor is established at \$10 and the equilibrium price is \$7, what result will be evident in the market as it relates to supply and demand?

86. It has been established that the equilibrium wage for Mrkaichville is \$27. Fortunately, Mrkaichville is so affluent that the government has found that wage isn't enough to live in this mecca for the super rich so it has decided to establish a \$40 minimum wage. Draw the appropriate supply and demand curves, identify the equilibrium wage and quantity of labor. Using a different color identify the minimum wage and identify as a labor shortage or surplus the quantity of workers that will be employed under the new conditions.

87. Do problem 5 on page 81.

88. Do problem 6 on page 81.

89. Identify and explain what will happen in the market if a government places a rent ceiling of \$1000 on dwellings within their jurisdiction if the equilibrium rent is \$750.

90. Do problem 7 on page 82.

91. Do problem 9 on page 82.

92. Do problem 10 on page 82.

93. Do problem 12 on page 82.

94. Do problem 13 on page 82.