Taylor Economics Chapter 8

1. Define Total Costs.
2. Define Fixed Costs.
3. What items make up fixed costs?
4. What are variable costs?
5. Give examples of variable costs for changing quantities of production.
6. What is the formula for calculating TC?
7. Compare and contrast costs in the short and long run.
8. Why is capital considered a long run factor while labor is a short run factor?
9. What is the average variable cost of moving 8 pianos in Table 8.1?
10. What is the marginal cost of moving a 4th piano?
11. If On-the -Move doesn't move any pianos, what cost will the firm still have to pay (amount)?
12. How is ATC calculated?
13. How is AVC calculated?
14. Define MC in real English.
15. Define AFC.
16. In Figure 8.2 why is the FC constant?
17. What's the best way to make FC a small part of TC?
18. What does a production function try to show?
19. What does Marginal Product of Labor demonstrate?
20. What does it mean to the firm if it is experiencing diminishing returns to labor?
21. Explain the value of increasing returns to labor.
22. Explain how a firm will face both increasing and diminishing returns to labor.
23. Compare and contrast marginal product of labor and average product of labor.
24. Describe the change marginal cost goes through for every firm beginning production to a well established producer.
25. Why would a firm not produce where ATC is higher than MC except at very low levels of production?
26. What causes the distance between the ATC curve and AVC curve?
27. ***MEMORIZE THE RELATIVE POSITIONS AND SHAPES OF THE MC, ATC, AND AVC CURVES!***
28. What tells a competitive firm how much to produce?
29. What is the equation for calculating profits?
30. How is Total Revenue (TR) calculated?
31. How can we be sure that TC is shown in Figure 8.7?
32. Explain how the firm faces a negative profit or loss in Figure 8.8?
33. How is price determined in Figure 8.8?
34. Mathematically, how can I be sure there's a negative profit at the profit maximizing quantity in Figure 8.8?
35. Define Break Even Point.
36. What does the break even point tell a firm?
37. Compare and contrast the cost curves of a firm breaking even, a firm suffering an economic loss and one enjoying a profit.
38. What is the shut down point?
39. What mathematical expression tells a firm that it is better off shutting down?
40. Firms will continue to operate at a loss so long as what remains true?
41. Define sunk cost.
42. What cost curve (above the shutdown point) represents a firms supply curve?
43. Compare and contrast breakeven point and shutdown point.
44. Why do economists stress the difference between short and long run?
45. What are firms thought to be striving toward in economics?
46. What does scale mean in economics?
47. Define economies of scale and SHOW how this is shown graphically in the long run.
48. Define diseconomies of scale and SHOW how this is shown graphically in the long run.
49. What does constant returns to scale show?
50. Why is there an extended length of flatness in the long-run ATC curve?
51. What are economies of scope?
52. Do problem 1 on page 225.
53. Do problem 3 on page 226.
54. Do problem 4 on page 226.
55. Do problem 7 on page 226.
56. Read Appendix to Chapter 8.
57. Do problem 1 on page 231.
58. Do problem 2 on page 231.