Taylor Economics Chapter 9

1. What can cause the rise and fall of industries?
2. Between 1970 and 2003 how much did chicken production change?
3. What is the first thing to change that results in a growing or shrinking industry?
4. Define industry.
5. What word is sometimes substituted for industry?
6. What does it mean that a firm is a price taker?
7. Define long-run competitive equilibrium model.
8. Why does an individual firm within an industry face a horizontal demand curve?
9. Why does the demand curve on the right (Figure 9.2) slope downward?
10. Explain free entry and exit.
11. How are profits calculated?
12. Why would negative profits give an incentive for a firm to exit an industry?
13. Why does entry and exit of firms in an industry affect the supply curve?
14. What part of ATC is intersected by MC if profit is zero?
15. What can be said of price in both curves in Figure 9.3?
16. Define long-run equilibrium.
17. What links the left and right curves in Figure 9.3 together?
18. What happens to Q_d and P in going from D to D' in Figure 9.4?
19. Why would a firm produce more if the price in Figure 9.4 goes from P to P'?
20. The firm will produce more until what point is reached?
21. For an industry in long-run equilibrium where does the supply curve intersect ATC?
22. Why does the shaded area in Figure 9.4 (top left) represent profit?
23. Why would new firms enter a market like the industry represented in Figure 9.4 (top)?
24. What effect do the new firms have on P?
25. How do firms have that effect?
26. The MC is also known as what?
27. What is the difference between economic and accounting profits?
28. Define accounting profits.
29. Define economic profits.
30. Create a scenario showing $60,000 accounting profit, but only $50 economic profit. Be creative.
31. What are normal profits?
32. Explain how normal profits exist.
33. Explain the conditions that leads to firms expanding.
34. How does Figure 9.5 (top left) show losses?
35. Explain how the market corrects this situation.
36. What has to happen for the market to get back to equilibrium?
37. How is this shown in Figure 9.5?
38. Explain why a new MC and ATC curve are present in Figure 9.6 (top left).
39. How does this lead to the top right of Figure 9.6?
40. Why doesn't a price of P' result in long-run equilibrium?
41. How does bottom right (Figure 9.6) produce bottom left?
42. To achieve profit maximization, firms will produce so that what cost statement is achieved?
43. What does P=MC and P=ATC mean to a profit maximizing firm?
44. What does it mean for capital to be allocated efficiently?
45. Why does long-run equilibrium demonstrate capital is put to its most efficient use?
46. What does it mean if a firm has economies of scale?
47. Why are diseconomies of scale bad?
48. Define external diseconomies of scale.
49. Why is the long-run industry supply curve rise in a diseconomies of scale (Figure 9.9)?
50. Give an example of an external cost increase that an expanding industry's individual firms would face that isn't in the book.
51. Define external economies of scale.
52. Why is the long-run industry supply curve downward sloping for industries experiencing external economies of scale?
53. Compare and contrast internal and external economies of scale.
54. Describe the typical long-run equilibrium supply curve for industries.
55. Do problem #1 on page 253.
56. Do problem #2 on page 253.
57. Do problem #3 on page 253.
58. Do problem #4 on page 253.
59. Do problem #5 on page 253-254.
60. Do problem #6 on page 254.
61. Do problem #7 on page 254.
62. Do problem #9 on page 254.