

Questions From Chapter 7, Section 1

Answer all questions in complete sentences on a separate piece of paper

- 1) Define: Demand
- 2) Define: Supply
- 3) Define: Market
- 4) Where can a market for a particular item be located?
- 5) What are four examples of markets (see the bottom of the page)?
- 6) What do individuals decide in a market?
- 7) Define: Voluntary exchange
- 8) How do buyers and sellers exercise their economic freedom?
- 9) What can you say about the choices buyers have in a market economy?
- 10) What can you say about the choices sellers have in a market economy?
- 11) What is a "supply and demand analysis"
- 12) What does the analysis explain?
- 13) What does demand represent in economic terms?
- 14) What does the concept of demand include?
- 15) Define: The law of demand?
- 16) What is the relationship between quantity demanded and price?
- 17) Define: quantity demanded
- 18) What are the three factors that explain the inverse relationship?
- 19) Define: Real income effect
- 20) Describe how the real income effect changes what you might buy as prices rise. Write several sentences.
- 21) Describe how the real income effect changes what you might buy as prices fall. Write several sentences.
- 22) Define: substitution effect
- 23) Describe how the substitution effect might work if the price of movie tickets rise. Write several sentences.
- 24) Describe how the substitution effect might work if the price of movie tickets fall. Write several sentences
- 25) Define: utility
- 26) What do people decide based on utility?
- 27) Define: marginal utility
- 28) Define: law of diminishing marginal utility
- 29) Describe how the law of diminishing marginal utility might work with candy bars. Write several sentences.
- 30) Fill out the following chart:

Cause	Effect on Quantity Demanded
Increase in Real Income	
Decrease In Real Income	
Price of Substitutes	
Utility	

Questions From Chapter 7, Section 2

Answer all in complete sentences on a separate piece of paper

1. What is Quantity Demanded based upon?
2. What other factors will affect Demand?
3. Define: visual
4. What does a graph in economics often show?
5. Define: concepts
6. What is the relationship between quantity demanded and price?
7. What does that mean (in #6)?
8. Define: Demand Schedule
9. Define: Demand Curve
10. Look at figure 7.3. How many DVDs will be demanded if they are priced at \$12?
11. What happens when population increases?
12. What does this mean for demand?
13. What happens to the demand curve in this situation?
14. What happens if population decreases?
15. What happens to the demand curve in this situation?
16. Upon what does the demand for goods and services depend?
17. What happens to your demand for DVDs when your income falls?
18. What happens to the demand curve in this situation?
19. What happens to your demand for DVDs when your income rises?
20. How does the demand curve reflect this?
21. To what does "Tastes and Preferences" refer?
22. What happens when a product becomes a fad (suddenly popular)?
23. What happens to the demand curve in this situation?
24. What happens to the demand curve for a product as its popularity fades?
25. What are substitutes?
26. What happens as the price of one substitute falls?
27. What will happen to the demand curve in this situation?
28. Define: Complementary goods
29. What happens to complementary goods when there is a decrease in price of one of the goods?
30. What happens to the demand curve in this situation?
31. What is the law of demand again?
32. Define: Elasticity
33. Define: Price elasticity of demand
34. When is the demand for a good considered elastic?
35. Define: elastic demand
36. What is an example of a product with an elastic demand?
37. What will happen with a small price increase in one brand of coffee?
38. When is the demand for a good considered inelastic?
39. Define: inelastic demand
40. What are some examples of inelastic goods?
41. What are the three factors in determining elasticity?
42. Why are consumers more responsive if there are more substitutes?(this is a longer answer than just one sentence)
43. How might the percentage of a budget determine elasticity? (this is a longer answer than just one sentence)
44. How might time affect elasticity? (this is a longer answer than just one sentence)
45. Why are all goods elastic in the long run? (this is a longer answer than just one sentence)

Guided Reading For Chapter 7, Section 3

Answer all question in complete sentences on a separate piece of paper

- 1) What do we have to look at to understand how prices are determined?
- 2) What is supply?
- 3) What is the law of supply?
- 4) What happens with demand?
- 5) What kind of a relationship exists between price and quantity supplied?
- 6) As prices fall, what happens to the quantity supplied by sellers?
- 7) At higher prices, what will happen?
- 8) In the law of supply, as price goes up ...
- 9) In the law of supply, as price goes down ...
- 10) Define: incentive (use the glossary)
- 11) In the case of supply, what does a higher priced good do?
- 12) How do economists show the relationship between price and quantity demanded?
- 13) How can we illustrate the law of supply?
- 14) Define: supply schedule
- 15) In Figure 7.7 – A, how many DVDs will be supplied at a price of \$14 per DVD?
- 16) In Figure 7.7 – B, approximately how many DVDs will be supplied at a price of \$15 per DVD?
- 17) In Figure 7.7 – B, what does the bottom axis show?
- 18) In Figure 7.7 – B, what does the side axis show?
- 19) What does each point on the graph represent?
- 20) What do we get when we connect the points in Figure 7.7 – B?
- 21) Define: Supply Curve
- 22) What is the main difference between a supply curve and a demand curve?
- 23) In what way will the lines of supply and demand always differ?
- 24) What are the four major determinants of supply (blue bold words)?
- 25) What can happen if price of inputs falls?
- 26) What does this make the supply curve do?
- 27) If the cost of inputs increases what will happen?
- 28) What happens if more firms enter an industry?
- 29) What happens to the supply curve?
- 30) The larger the number of suppliers ...
- 31) What happens if some suppliers leave the market?
- 32) What happens if the government imposes taxes on the production of certain items?
- 33) What happens to the supply curve in this case?
- 34) What does this indicate?
- 35) Define: Technology
- 36) How will any improvement in technology affect supply?
- 37) Why does this happen?
- 38) What happens to the supply curve in this instance?
- 39) Define: law of diminishing returns

Questions From Chapter 7 Section 4

Answer all in complete sentences on a separate piece of paper

- 1) What determines prices in a free market?
- 2) Define: equilibrium price
- 3) What is one way to visualize the equilibrium price?
- 4) Where is the equilibrium price on this graph?
- 5) In figure 7.10, what is the equilibrium price and quantity?
- 6) Define: assume
- 7) In figure 7.11, what happens to the demand curve when scientist prove that watching movies increase lifespan.
- 8) In figure 7.11, what happens to the price of a DVD at that point?
- 9) What function do prices serve under a free enterprise system?
- 10) Who gets the signals given by prices?
- 11) What do rising prices signal to producers?
- 12) What do rising price signal to consumers?
- 13) What do falling prices signal to producers?
- 14) What do falling price signal to consumers?
- 15) Define: shortage
- 16) What happens in this situation if the market is left alone?
- 17) What do consumers do at higher prices?
- 18) What do suppliers do at higher prices?
- 19) Define: Surplus
- 20) What do suppliers do when prices are above equilibrium price?
- 21) What do suppliers end up with in this situation?
- 22) Define: Surplus
- 23) What kind of pressure does this create?
- 24) What incentive do suppliers have if prices fall?
- 25) What incentive do consumers have if prices fall?
- 26) What happens to the surplus?
- 27) What is one of the benefits of a market economy?
- 28) What happens when shortages occur?
- 29) What happens when surpluses occur?
- 30) What might governments do under certain circumstances?
- 31) Why might a government get involved in setting prices?
- 32) What might special interest groups do?
- 33) Define: price ceiling
- 34) What happens when a price ceiling is set below equilibrium price?
- 35) What do effective price ceilings lead to?
- 36) Define: rationing
- 37) Define: black market
- 38) Define: price floor
- 39) What is an example of a price floor?
- 40) What is the result of minimum wage?
- 41) What would happen if the market was left to its own?