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When more income is earned the demand for goods will shift to the right as more goods and higher levels of goods are demanded across the board. The budget line follows the law of demand as it shifts to the right showing an Increase In the quantity demanded of Items. This should not be confused with movement along the curve which Is caused by a change in price of a specific good. The purpose of a market system To allow government to control what is sold. To set constraints between buyers and sellers. To bring buyers and sellers Into contact * d.

To allow an organization to set prices In relation to their products. Rejoinder: In the market system an exchange ofmoneyfor goods and or services takes place. A true market system sets the price through barter where the goods and services sell for the best price offered by the buyers creating equilibrium. For this exchange to take place the market serves as a meeting place for buyers and sellers. If the organization sets its prices there may not be market equilibrium and that can result in either a shortage or a surplus.

By specializing In the production of one good a company Is able to benefit from economies of scale which Increases their revenues. Attributes of specialization Include Reducing costs by creating a surplus. Saving time by allowing a worker to focus on one task* Encouraging workers to learn new skills. Encouraging workers to learn a number of different skills. Rejoinder: Specialization occurs when a firm is able to use the resources available to it to produce one product orfamilyof products rather than trying to produce multiple goods and spreading the firm's resources In many directions.

By focusing or concentrating on one task workers can achieve a higher level of training in that skill and become more productive. Firms always strive to produce only the amount of reduce they can sell to maximize their profits. The market system promotes progress by a, Creating incentive to continue to do things In the same way b. Restricting the amount of capital directed to specific goods. C. Slowly adjusting to changes In the In ten prices AT resources. A Provoking Incentive Tort technological advances.

Rejoinder: Because firms are competing for consumers' dollars they always want to have the newest and latest product available which will be the most advanced in their category and appeal to consumers as new purchases. This provides incentive to stay ahead of the competition in developing newtechnology. If a firm continues without advancing its product the competition that do advance will attract their customers which is why firms dedicate resources to research and development.

Revenue increases when producer surplus increase* producer surplus decreases consumer surplus increases consumer surplus decreases. Rejoinder: Producer surplus is the difference between the minimum price the producer is willing to receive and what they actually receive. The surplus is their profit and the larger the surplus the greater their profit on the good. When it decreases they are receiving a price closer to their minimum acceptable. The consumer surplus measures what the consumer is willing to pay and its difference from the market price.

The closer to the market price the higher the consumer surplus because they are spending less than they are willing to and the less spent the lower the revenue will be for the good. An increase in the price of an inelastic good will decrease revenues decrease the percentage change in quantity less than the percentage change in price increase revenues* increase the percentage change in quantity more than the percentage change in price Rejoinder: Inelastic goods are necessities that consumers will continue to arches even when price increases.

This increases the revenue as more is paid for each good. The percentage change In price increases faster than the change in quantity which may remain constant. When we pay more for a good or service revenue will increase. Objective 1. 2: Explain market equilibrating process Productive efficiency is when the most valued combination of resources is used. The best technology is used. * when production occurs at a fair cost per unit. Fewer resources are left for production of other goods.

Rejoinder: Efficiency is when we get the most out of the resources that are used to produce a good. This means having the newest and unsurpassed technology to produce the least waste and the lowest cost. Unused resources due to the new technology can then be allocated to the production of other goods. The market is said to be in equilibrium when there is potential for a shortage but not a surplus there is potential for a surplus but not a shortage. Neither a shortage nor a surplus exists* the quantity sold equals the quantity purchased. Appliers are asking for a product. It is the market price where the two come together and all the goods produced are sold without leaving anyone demanding additional units of that good. The market will move too higher equilibrium price if the decrease in supply is greater than the decrease in demand* the increase in supply is greater than the increase in demand. The decrease in demand is greater than the decrease in supply. The increase in demand is greater than the increase in supply. Rejoinder: Price serves as a rationing tool for the demand of goods.

If the price is too high fewer of the good are demanded and if it is too low more of the good is demanded than is available. The market seeks a price where the demand for goods will equal the supply of goods. When supply decreases the price will ration the good y increasing till there is no excess demand for the good or shortage of the good. The intersection of supply and demand will be at a lower equilibrium price but a higher equilibrium quantity if supply is constant and demand increases. F supply is constant and demand decreases if demand is constant and supply decreases. If demand is constant and supply increases* Rejoinder: Supply and demand intersect at the equilibrium price. The demand curve is a straight line measuring the quantity demanded at different price levels. When supply increases the supply curve shifts to the right and more of the good is available. Since the demand curve remains constant the supply curve will intersect at a lower point indicating the increase in quantity.

When a price ceiling occurs the market price will be lower than the equilibrium price * the market price will be higher than the equilibrium price. The supply will exceed the demand buyers will not be willing to pay more than the ceiling price. Rejoinder: A price ceiling is the maximum price that can be charged for a good or service. It is imposed below the equilibrium price to allow those who would otherwise not be able to afford the good to purchase it. Placing it above the equilibrium price would make it ineffective ND unnecessary as the market price would then prevail.

Income elasticity increases when the number of complementary goods decreases when the number of substitute goods decreases when buyers' income decreases* when buyers' income increases Rejoinder: Income elasticity measures the percentage change of the quantity demand to the percentage change in a consumer's income. If the consumer's income changes disproportionably to prices it affects the demand for goods. If income decreases and the price of goods stay the same then fewer goods are affordable and more goods become elastic as they are no longer a necessity or must have to the buyer.