

# [Unit 4: set 1 (3 11)](https://assignbuster.com/unit-4-set-1-311/)

1. Economics is the study of how a society \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

a. employs resources to produce goods and services and distribute them among competinggroups and individuals. b. employs statistical techniques to make predictions about the evolution of society over thelong run. c. governs itself for the good of its citizens.

a. employs resources to produce goods and services and distribute them among competing groups and individuals. In a free market economic system, the mechanism of \_\_\_\_\_\_\_\_\_\_ is the key determinant used to signal to producers what to produce and how much to produce. b. priceIfa shortage exists in a market for a good, the price of that good will tend to fallb. false-riseWhen the market price of a good is above the equilibrium valueb. a surplus will existsIn a well functioning market economy, the actual market price will tend, in the long term, to adjust towards the equilibrium point where supply and demand meetTrueWhich of the following statements about supply and demand is false?

a. Adapting to changes in demand is easy for businesses to do; b. Demand refers to the quantity of a good that consumers are willing and able to buy atdifferent prices at a specific time; c. In the long run, the actual market price tends to adjust toward the equilibrium point; d. Price is the key factor that determines both quantity supplied and quantity demanded; e. Under the basic principle of supply, as the price goes down, manufacturers and suppliersof a product tend to supply less of the product to the market.

a. Adapting to changes in demand is easy for businesses to do; The quantity of a good or service that producers are willing to sell at different prices during a specific time period is known as the: d. supply of that product or serviceA simple supply curve shows that an increase in the price of a good will cause the quantity supplied to: c. increaseA typical demand curve shows that: c. people tend to buy more of a good when price decreases10. When unchanged: the market price of a good is below the equilibrium price, and all other determinants arec. Qd > QsThe price of iPhonesTM is falling. In a free-market economic system where everything else is equal, the most likely explanation is:

a. Sellers cannot keep up with market demand. b. Suppliers are not producing enough product. c. The government determined that the product was not worth the price tag that the producerwas asking. d. The product has competition at the equilibrium price. e. None of the above.

d. The product as competition at the equilibrium priceJill owns a bakery that specializes in cheesecakes. Until recently, Jill charged a price of $12 for each cheesecake. At this price Jill’s customers bought an average of 84 cheesecakes each week. For the last few weeks, she has reduced her price to $10. 50 per cheesecake, and her customers have purchased an average of 96 cheesecakes each week. These results are consistent with the economic concept of demand. TrueUnder the basic principle of supply, as the price goes down, manufacturers and suppliers of a product tend to supply less of the product to the market. True14. Monopolistic competition15. Monopoly16. Oligopoly17. Perfect competition

a. A few large sellers who dominate a market. b. A large number of firms produce goods that are similar but are perceived by buyers asbeing different. c. The entire demand for a good is controlled by a single buyer. d. The entire supply of a good is controlled by a single seller. e. There are many sellers in a market and no seller is large enough to dictate the price of aproduct.

14. b15. d16. a17. e18. Collegetown restaurants; 19. Corn growers in Iowa; 20. Town of Ithaca Water; 21. U. S. A. automobile industry. 18.(a) Monopolistic competition19. (d) Perfect competition20. (b) monopoly21. (c) oligopoly22. Bolton Point Water System, which provides water to the Towns of Dryden, Ithaca, Lansing, and the Villages of Cayuga Heights and Lansing; 23. CollegeTown Bagel, one of the eateries in the Collegetown district of Ithaca; 24. Cornell University, a member of the highly esteemed Ivy League university conference; 25. People selling or renting in Craigslist in Ithaca.

a. Monopolistic competitionb. Monopolyc. Oligopolyd. Perfect competition

22. b23. a24. c25. d26. Monopolistic competition27. Monopoly28. Oligopoly29. Perfect competition

a. High differentiation, high size/economies of scaleb. High differentiation, small size/economies of scalec. Low differentiation, large size/economies of scaled. Low differentiation, small size/economies of scale

26. b27. c28. a29. dProduct differentiation is a key to success in monopolistic competitionTrue31. Destroys freedom of choice32. Focuses on differentiation33. Relies on innovation 34. Inhibits amount of investment31. d. monopoly32. b. monopolistic competition33. a. oligopoly34. c. perfect competition35. Underwhich industrial structure do consumers receive the lowest prices in the short term? a. perfect competitionThe brewing industry is an example of the process of turning \_\_\_\_\_ into \_\_\_\_\_\_ industries, as barriers to entry decline, the investment required to participate in the industry reduces, and customers’ taste becomes more sophisticated and varied. d. oligopolies, monopolistic competitionWhich of the following is a major indicator of a nation’s economic conditions? a. CPIb. GDPc. Unemployment rate d. All of the above are major indicatorse. None of the above is a major indicatord. all of the aboveWhich of the following is not an important indicator for the economy as a whole? a. Asset profitabilityb. Gross domestic productc. Price indexesd. Unemployment rate e. All of the above are important indicators for the economy as a whole. a. assest profitability\_\_\_\_\_\_\_\_\_ refers to a general rise in the price level of goods and services over time. c. Inflation\_\_\_\_\_\_\_ unemployment refers to unemployment caused by the restructuring of firms or by a mismatch between the skills of job seekers and the requirements of available jobs. e. structural\_\_\_\_\_\_\_ unemployment refers to loss of jobs due to a recession or downturn in the economya. cyclicalFiscal policy involves increases or decreases in: c. government spending and taxesEfforts by the Federal Reserve Bank (the Fed) to control the money supply and interest rates are known as: e. monetary policyA significant increase in the money supply creates \_\_\_\_\_\_\_\_\_ pressures in the economy

a. Deflationaryb. Inflationary

b. inflationaryAn increase in the Federal Reserve’s discount rate produces a(n) \_\_\_\_\_\_\_\_\_\_ in money supply

a. Increaseb. Reduction

b. reductionThe Federal Reserve establishes the United States fiscal policyFalse-monetary policyMatch the following actions of the U. S. government and the Federal Reserve with the kind of economic policy effort they represent.

47. As a result of the dot. com crisis, 9/11, the Afghanistan and Irak wars, and the financial crisis of September 2008, the United States have maintained consistent deficit spending for the last twelve years; 48. The Federal Reserve has purchased an additional $600 billion in US Treasuries, on the hope to increase liquidity in the U. S. economy, using a mechanism called quantitative easing; 49. The Obama administration, upon arriving in power, instituted a stimulus package worth $787 billion, known as the “ American Recovery and Reinvestment Act of 2009”, that was intended to create jobs and promote investment and consumer spending during the recession; 50. The Troubled Asset Relief Program, a program of the United States government to purchase assets and equity from financial institutions to strengthen the U. S. financial sector, signed into law on October 2008. Institutions who benefited from the program have by now mostly repayed these investments.

a. Fiscal policyb. Monetary policyc. National debt management

47. c48. b49. a50. a