

# Unit 4: set 1 (3 11)



**ASSIGN  
BUSTER**

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

a. employs resources to produce goods and services and distribute them among competing groups and individuals. b. employs statistical techniques to make predictions about the evolution of society over the long 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. price falls When the market price of a good is above the equilibrium value, a surplus will exist. In 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 meet. True. Which 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 at different 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 suppliers of 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 service  
 A simple supply curve shows that an increase in the price of a good will cause the quantity supplied to: c. increase  
 A typical demand curve shows that: c. people tend to buy more of a good when price decreases  
 10. When unchanged: the market price of a good is below the equilibrium price, and all other determinants are c.  $Q_d > Q_s$   
 The price of iPhones™ 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 producer was asking. d. The product has competition at the equilibrium price. e. None of the above.

d. The product has competition at the equilibrium price  
 Jill 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. True  
 Under 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. True  
 14. Monopolistic competition  
 15. Monopoly  
 16. Oligopoly  
 17. 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 as being

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 a product.

14. b 15. d 16. a 17. e 18. College town restaurants; 19. Corn growers in Iowa; 20. Town of Ithaca Water; 21. U. S. A. automobile industry. 18.(a)

Monopolistic competition 19. (d) Perfect competition 20. (b) monopoly 21. (c) oligopoly 22. 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 College town 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 competition b. Monopoly c. Oligopoly d. Perfect competition

22. b 23. a 24. c 25. d 26. Monopolistic competition 27. Monopoly 28.

Oligopoly 29. Perfect competition

a. High differentiation, high size/economies of scale b. High differentiation, small size/economies of scale c. Low differentiation, large size/economies of scale d. Low differentiation, small size/economies of scale

26. b 27. c 28. a 29. d Product differentiation is a key to success in monopolistic competition True 31. Destroys freedom of choice 32. Focuses on

differentiation 33. Relies on innovation 34. Inhibits amount of investment 31.

d. monopoly 32. b. monopolistic competition 33. a. oligopoly 34. c. perfect competition 35. Under which industrial structure do consumers receive the

lowest prices in the short term? a. perfect competition  
The 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 competition  
Which of the following is a

major indicator of a nation's economic conditions? a. CPI b. GDP c.

Unemployment rate d. All of the above are major indicators e. None of the

above is a major indicator d. all of the above  
Which of the following is not an

important indicator for the economy as a whole? a. Asset profitability b. Gross

domestic product c. Price indexes d. Unemployment rate e. All of the above

are important indicators for the economy as a whole. a. asset

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 economy a. cyclical  
Fiscal policy involves increases or

decreases in: c. government spending and taxes  
Efforts by the Federal

Reserve Bank (the Fed) to control the money supply and interest rates are

known as: e. monetary policy  
A significant increase in the money supply

creates \_\_\_\_\_ pressures in the economy

a. Deflationary b. Inflationary

b. inflationary  
An increase in the Federal Reserve's discount rate produces

a(n) \_\_\_\_\_ in money supply

a. Increase  
b. Reduction

b. reduction  
The Federal Reserve establishes the United States fiscal policy  
False-monetary policy  
Match 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 policy  
b. Monetary policy  
c. National debt management

47. c  
48. b  
49. a  
50. a