Economics Final Exam REVIEW (Part 2)  
(Chapters 4-6)

If you come in with this portion of the review sheet at least 80% (that’s 52 out of 65 questions) complete on Friday 5/6 (7th Period – Monday 5/9), you will earn 5 extra credit points on the final exam. You will not earn ANY extra credit if I see you copying answers before class or once class has started.

Chapter 4: Demand  
The number in parenthesis represents the “approximate” page in the book where you can find the answer.

1. A market is any place where _______________ and _______________ meet. (90)
2. In economics, demand means _______________ and _______________ to buy a good. (90)
3. Economists state that the more utility you receive from an item, the _______________ (higher or lower) price you are willing to pay for it. (91)
4. If you eat six slices of pizza, you are likely to get _______________ (more, less or the same) satisfaction from the last piece as you enjoyed with the first piece. (91)
5. Demand schedules and demand curves contain the _______________ information presented in different ways. (93)
6. True or False  A shift of the curve and a movement along the curve are the same. (95)
7. If the demand for computers _______________ (increases or decreases), the demand curve will shift to the right. (95)
8. If the demand curve shifts to the lefts, it means buyers want to buy _______________ (more or less). (95)
9. As income rises, demand for _______________ (normal, inferior or neutral) goods rises. (96)
10. A change in the price of a substitute, income or expectations about the future price of a product will cause a change in _______________ (demand or quantity demanded) for a product. (96/97)
11. When goods are _______________ (substitutes or complements), the demand for one good moves in the same direction as the price of the other good. (97)
12. Popcorn and butter would be classified as _______________ goods. (97)
13. If consumers expect higher prices in the near future, the demand for cars will _______________ (increase or decrease). (97)
14. If the number of buyers in the market increases, the demand in the market will _______________ (increase or decrease). (97)
15. _______________ is the only factor that causes a change in quantity demanded. (98)
16. On a demand curve, a change in _______________ (demand or quantity demanded) is represented by a movement along the curve. (99)
17. Elasticity is really measuring consumer _______________ to a price change. (102)
18. If movie prices increase by 30 percent and attendance (quantity of tickets demanded) drops by 40 percent, demand is considered _______________. (103)
19. Insulin and heart medicine are examples of _______________ goods. (103)
20. The demand for _______________ (necessities or luxuries) such as milk, electricity and water is usually inelastic. (104)
21. Define elasticity of demand and how it is calculated; give one example each of elastic and inelastic goods and explain why they have the defined characteristics.

Chapter 5: Supply

22. The law of ____________________ states that producers will make less at low prices. (112)

23. According to the law of supply, the ________________ (higher or lower) the price, the greater the quantity supplied. (112)

24. A supply curve is a reflection of what ________________ are willing and able to produce. (115)

25. **True or False** All supply curves are upward sloping (from left to right). (115)

26. A ________________ (vertical or horizontal) supply curve indicates that a change in price will have no effect on the quantity supplied. (115)

27. When the supply curve shifts to the right, producers are ________________ (increasing or decreasing) the amount they supply to the market. (117/118)

28. If a supplier’s costs of production for a good decreases, supply for that good will ________________ (increase or decrease) which would cause the supply curve to shift to the ________________ (right or left). (117)

29. If a new quota were imposed on a seller’s product, the seller would respond by ________________ (increasing or decreasing) production which would cause the supply curve to shift to the ________________ (right or left). (117/120)

30. More sellers entering a market would cause supply to ________________ (increase or decrease) which would be represented on the graph by the supply curve shifting to the ________________ (right or left). (117/120)

31. An advance in technology would cause supply to ________________ (increase or decrease) which would be represented on the graph by the supply curve shifting to the ________________ (right or left). (117/119)

32. Advances in technology ________________ (raise or lower) the per-unit cost of production, therefore shifting the supply curve to the ________________ (right or left). (119)

33. If the government places a tax on SUVs, the extra per-unit cost of doing business will cause producers to produce ________________ (more or less) SUVs. (119)

34. Subsidies have a tendency to shift the supply curve to the ________________ (right or left). (120)

35. Sellers who expect the price of a good to be ________________ (higher or lower) at a future date are likely to reduce current production, preferring to wait and produce later. (120)

36. A change in the quantity of gasoline supplied would be caused by a change in ________________. (121)

37. If the price of a product ________________ (increases or decreases), we would expect the graph to show movement along the supply curve from the bottom left to the top right. (121)

38. If the price of a product ________________ (increases or decreases), we would expect the graph to show movement along the supply curve from the top right to the bottom left. (121)

39. ________________ (inelastic, elastic or unit-elastic) supply exists when the quantity supplied responds only slightly to changes in the price. (123)
40. If sellers do not respond to a change in price, supply is ____________________ (elastic, inelastic or unit-elastic). (123)

41. If the percentage change in price is equal to 50% and the percentage change in quantity supplied is 25%, the elasticity of supply is ____________________ (elastic, inelastic or unit-elastic). (123)

Chapter 6: Price

42. When there is a surplus, prices tend to ___________________ (rise or fall). (130)

43. Sellers who notice that buyers want to purchase less of the seller’s good will usually __________ (raise or lower) the price to make up the difference. (130)

44. Equilibrium price is the price that occurs when the quantity demanded is ______________ to the quantity supplied. (131)

45. If a shortage exists, sellers are likely to _____________ (raise or lower) the price of the good. (131)

46. At the equilibrium price, sellers have sold everything they wanted to sell, buyers have bought everything they wanted to buy and both are ____________________. (131)

47. If you are the producer of a good and your resource prices increased, you would decrease _________________ (supply or demand). (134)

48. If a winter storm caused a terrible frost in California, we would expect the ____________________ (supply or demand) of citrus fruits to ______________________ (increase or decrease). (134)

49. The 2008 recession caused a(n) ______________________ (increase or decrease) in the supply of new homes. This would be reflected in the graph by the curve shifting to the __________________ (right or left). (134)

50. As more and more people are purchasing Blu-Ray players, the______________ (supply or demand) for DVDs has ____________________ (increased or decreased). (134)

51. An unintended effect of a price floor could be a _________________ (surplus or shortage). (138)

52. A legal maximum price at which a good can be sold is a price ____________________ (ceiling or floor). (138)

53. Price controls ________________ (increase or decrease) the amount of exchange that occurs. (139)

54. Even though the number of seats available in Yankee Stadium is the same for all games, we could expect prices for tickets to all games to be ____________________ (the same or different). (141)

55. When the supply of a good cannot be moved in response to a difference in price between cities, prices for this good are likely to remain ____________________ (the same or different) in these cities. (142)

56. True or False Decision makers in Washington, D.C., decide how much corn and wheat will be grown in the United States. (144)

57. In a free enterprise market, _________________ allocate resources. (144)

58. Selection for positions on sports teams in high school and college can be examined and explained using ______________ and _______________. (145)

59. The “_______________” of getting into college can be academic performance in addition to tuition. (146)

60. The winning combination for a high salary is _____________ (high or low) supply and _____________ (high or low) demand for a job. (147)

61. If there were a shortage of nurses, we would expect the wages of nurses to ___________________ (increase or decrease). (147)
For each of the following graphs, given an example of what would cause the given change to happen and describe what happens to equilibrium price and quantity as a result. The first example has been completed for you. At least one of the free-response questions on the test will match this – you will be given a graph and will need to explain it using a real-life example.

**Graph (a)**
Demand has increased as a result of a change in consumer preferences or a change in complementary goods. This graph could represent demand for Star Wars toys as the release of the new movie grows closer. As a result the equilibrium price and quantity both increase.