

Economics

Mr. Mace C-10

Text Assignment #6

Name: _____

Period: _____

1. How are surplus and shortage related to equilibrium price?

2. Suppose that the federal government decides to increase the excise tax on cellular phone services by 0.1 percent. Why will this action cause the equilibrium price of cellular phone services to rise?

3. Between 2003 and 2005, there was a huge growth in the market for premium blue jeans priced at 200\$ or more per pair. The growth was largely fueled by popular magazines showing celebrities wearing certain brands. Then, in the summer of 2005, major department stores started cutting prices on jeans; they were also found on web sites that offer jeans at discount prices. Use the economic concepts that you learned in this section to describe what is happening in this market.

4. Use each of the two terms below in a sentence that illustrates the meaning of the term.

- a. Competitive pricing
- b. Incentive

5. Why is the price system an efficient way to allocate resources?

6. How do prices serve as signals and incentives to producers to enter a particular market? To leave a certain market?

7. A large discount store has built its reputation on offering consumers low prices. However, its customers come from many different income levels. Recently, the store began offering higher priced jewelry and consumer electronics products. What signal might this send to producers of other premium products who have never sold in discount stores before?

8. What is the difference between a price floor and price ceiling?

9. How does the existence of the black market work against the intended purpose that are rationing?

10. Opponents of rent control cite comparisons of cities that regulate rents with cities that do not. Their evidence shows that there is more moderately priced housing available in cities that let the market set the rates for rent. What would account for the differences in availability?

11. In the wake of sharply rising gasoline prices in the summer of 2005, several states considered putting a ceiling on the wholesale price of gasoline. What would be the likely result of such a price control? Would it be an effective strategy for lowering gas prices?

12. How are producers and consumers equally involved in the price system?

13. Consumer concerns about nutrition and obesity contribute to a decrease in white bread sales and an increase in sales of whole wheat bread. This change in consumer taste prompts a major manufacturer known for its white bread to enter the market with a whole wheat bread product. What effect will this action have on the supply and equilibrium price of whole wheat bread?

14. How would elasticity of demand help producers decide whether competitive pricing is a good strategy for their business?