***Econ MT 2 EOT study Guide***

***Supply and Demand***

1. If a company that produces two products adjusts its production from making 90% of one product, to 66% of that product in order to make 34% of the second product, what probably happened to the price that people were willing to pay for product 2?
2. When a new company comes into a market with a technologically superior product that is in high demand, the other producers must lower their price. Those producers then attempt to make a more similar product to the new one, why?
3. What is the elasticity formula?
4. If a company produces more product than there is a demand for, the producer must do what to re-stimulate demand for that product?
5. What 6 factors can cause a shift in demand?
6. If Miranda started a new landscaping business, what price should she charge in order to break into that market since other competitors already have customers?
7. Dimas is a producer in a market structure with standardized products and no control over the market price. Which market structure would he be a part?
8. Why do firms in a competitive market adjust price and production levels from time to time?
9. What are the characteristics of an oligopolistic market?
10. Why would someone in the monopolistically competitive structure tend to make more profit than someone in a perfectly competitive market?
11. If a price floor was created below the equilibrium price, what would happen to the supply of that product or service?
12. If the price of a good drops 25%, and the demand for the good increases 25%, what kind of demand is there for that product?
13. Profit motive is a high factor in which economic system in which creation of businesses are highly encouraged?
14. How would entrepreneurs affect the job market?
15. **The basis for international trade stems from the differences in production costs from one country to another.**
16. **The ability of one country to produce a product with greater output per unit of input is absolute advantage**
17. **Tariffs and quotas have the following effects:** **increasing the price of goods, protecting domestic (home) industries, and reducing trade deficits**
18. **The ability of a country to produce a good at a relatively lower opportunity cost** **is comparative advantage**
19. **In a free enterprise system, people are free to start their own businesses**
20. What are the primary functions of business income?
21. What is the strongest incentive to start a business in the US?

Essay prompts:

1. Supply and demand are what the US economy is based. Write an essay analyzing the 3 main factors that, in your opinion, can affect supply and demand the most. Be sure to defend your position by using specific pieces of evidence as to why those factors have a bigger impact than the others. It will help your score if you can strategically use market structures and business types in the essay.
2. The market structures are major players in what can be created and who can create those products. Write an essay comparing and contrasting the 4 market types, coming to a conclusion as to which is the most competitive and which is the least. Be sure to use specific examples to defend your position.