

Name: _____

Period: _____

Chapter 5 Homework Questions

Directions: Read each section of the chapter and answer the following questions.

Section 1

1. State the Law of Supply
2. What does the term 'quantity supplied' mean?
3. What drives the supplier's decision to produce?
4. Using the pizzeria example presented, why does the supplier produce less when the price of pizza decreases?
5. What happens to the number of firms in a market when prices rise? Why?
6. What is a supply schedule? What two variables do these compare?
7. Identify: elasticity of supply
8. In the short run is supply generally elastic or inelastic? Why?
9. How does this change in the long run?
10. Identify some industries where supply is usually elastic. Why?

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Section 2

1. What do firms have to consider when determining how many workers to hire?
2. Identify the following terms:
 - a. Marginal Product of Labor
 - b. Increasing Marginal Returns
 - c. Diminishing Marginal Returns

Use figure 5.6 on page 109 to answer questions 3-5:

3. What is the Marginal Product of Labor when adding the 3rd worker?
4. The firms see increasing marginal returns when hiring the first _____ workers.
5. When does the firm begin to see diminishing marginal returns?
6. What are negative marginal returns? When does this happen in the beanbag factory? Why?
7. Give examples of fixed costs.
8. Give examples of variable costs.
9. When do firms make a profit?
10. At what point are firms most profitable?
11. When do firms decide to shut down?

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Section 3

1. Unable to control price, a profitable producer faced with rising labor and/or materials cost will:

Identify the affect of each of the following on supply:

	Increase/Decrease?	Why?
2. Technology		
3. Subsidies		
4. Excise Tax		
5. Gov't Regulation		

6. The United States government subsidizes such industries as _____.
7. During periods of inflation, suppliers may temporarily withhold goods that can be stored for long periods because:
8. Government can increase supply by granting producers a(n) _____.
9. To reduce supply, a government might levy a (n) _____.
10. Requiring pollution control on automobiles exemplifies government _____.

Define:

12. Subsidy

13. Excise Tax

14. Explain how future expectations of price affect supply.

