

Unit 4 Quiz A

Randomly select 3 questions to ask members of the group requesting the next set of assignments. If they get all questions correct, give them the entire stack of quizzes and assignments so that they can quiz the next group. If they get any question wrong, send them back to their seats to review and then try again in 10 minutes or more.

1. What does a supply curve show?

Answer: the number of units a seller would be willing to sell at any given price.

2. How do incentives help to explain why supply curves usually slope upward?

Answer: at higher prices, sellers are incentivized to sell more of their inventory, or increase production as much as possible.

3. If the cost of producing a good increases, what happens to the supply curve?

Answer: the supply curve shifts to the left.

4. If quantity supplied is greater than the quantity demanded, does that represent a shortage or a surplus, and will there be upward or downward pressure on prices as a result?

Answer: surplus; downward pressure on prices.

5. At equilibrium, what is the relationship between quantity supplied and quantity demanded? Is there upward or downward pressure on prices at that point?

Answer: They are equal! Prices are stable.

6. According to Adam Smith, what is more important to the wealth of nations: precious metals or productivity and free markets?

Answer: Productivity and free markets.