

Short Answer Questions

Chapter 4.

1. Explain the similarities and differences between the following:
 - a. Commodity market
 - b. Labour market
 - c. Goods market
 - d. Financial market
2. What determines the degree of competitiveness in a market?
3. Explain why the relationship between price and quantity demanded is known as the 'law of demand'.
4. The quantity demanded refers to the amount consumers are *willing and able* to purchase at different prices. Why is it important that consumers are not only *willing* but *able* to buy in analysing demand?
5.
 - a. A rise in price leads to a decrease in quantity demanded.
 - b. A rise in price is caused by an increase in demand.

Explain the difference between these two statements.

6. Look at the table below which refers to the market for taxi journeys:

Change	Shift/Movement along and explanation
A rise in the price of bus journeys	
A desire by consumers for more convenient journeys	
An increase in average real incomes by 8 per cent	
A decision by local government to cut night bus services	
An increase in the number of people attending a town's night clubs	
The introduction of zero tolerance of alcohol in drinking and driving	
An increase in the meter rate for taxi journeys	
Government announces plans for a pay freeze for all public sector workers	
The introduction of public cycles for hire in town and city centres	
An increase in the proportion of 0-16 year olds in the population	

In the right hand column, state whether the change will cause a shift or a movement along the demand curve for taxi journeys and briefly explain why.

7. A firm producing refrigeration units for long distance haulage trailers develops a new type of refrigerant which reduces the cost per unit of transporting fresh food. At the same time, the government increases fuel duties for haulage

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- companies. Explain, using appropriate diagrams, the possible effects on the market for long distance haulage.
8. Analyse the effect on the market for holidays in Turkey of a rise in the value of the Turkish lira against all other currencies.
 9. How is it possible that the supply of wheat could fall but the price and amount of wheat bought and sold in the market rise?
 10. In the market mechanism, price is said to act as a signal in allocating scarce resources. Explain the function of price as a signal in markets.