

33. What is a characteristic of monopolistic competition?

Many firms and differentiated products

34. What is a likely outcome of the standard prisoner's dilemma game?

Both prisoners confess.

35. How does the prisoner's dilemma help in understanding company behavior in an oligopoly?

Company strategies must consider actions by rival firms.

36. What do economists use to represent a consumer's preferences?

Indifference curves

37. What can be assumed that the consumer will buy if it is observed that the consumer's budget constraint has shifted inward?

Fewer normal goods and more inferior goods

38. What will happen to the market price and quantity in the short run if there is an increase in market demand in a perfectly competitive market?

The equilibrium price will increase, and the equilibrium quantity will increase.

39. What will happen to equilibrium quantity and price if both demand and supply decrease?

Quantity will decrease but price can either increase or decrease

40. What happens to demand quantity for normal goods as percentage change in income increases?

Demand quantity increases.

41. What do the positive or negative numbers of cross-price elasticity of demand represent?

Substitutes or complements

42. What is one way the Federal Reserve influences the reserve ratio?

By altering reserve requirements

43. Which fiscal policy would be most effective at raising consumer spending and expanding aggregate demand?

Enacting a permanent income tax cut

44. What is the effect of an increase in the money supply in the short run?

Interest rates decrease and aggregate demand for goods and services increase.

45. How is consumer surplus represented on a graph?

The area below the demand curve and above price

46. Which two statements define producer surplus? Choose 2 answers

The amount the seller is paid minus the cost of production. The area below the price and above the supply curve on a graph.

47. A painter spends \$200 on paint. He then bills the homeowner \$1,000 to cover his time and his expenses. What is the amount of these transactions that is added to gross domestic product (GDP)?

\$1,000

A U.S. state purchases a fleet of new highway patrol vehicles manufactured in Japan.

Which two statements correctly describe how the components of U.S. gross domestic product (GDP) are affected?

Net exports decrease. Government expenditures increase.