



Section 3: Quiz
Changes in Supply

CHAPTER 5

A. Key Terms

Match the descriptions in Column I with the terms in Column II. Write the letter of the correct answer in the blank provided.

Column I

- _____ 1. government intervention in a market that affects price, quantity, or quality
- _____ 2. payment to the government on the production or sale of a good
- _____ 3. a condition of rising prices
- _____ 4. a government payment that supports a business or market

Column II

- a. subsidy
- b. excise tax
- c. regulation
- d. inflation

B. Main Ideas

Write the letter of the correct answer in the blank provided.

- _____ 5. What effect does a rise in the cost of machinery or raw materials have on the cost of a good?
 - a. A rise in the cost of raw materials (but not machinery) raises the cost.
 - b. The good becomes cheaper to produce.
 - c. The good becomes more expensive to produce.
 - d. It does not have any effect on the cost of the good.
- _____ 6. What does new technology generally do to production?
 - a. It lowers cost and decreases supply.
 - b. It lowers cost and increases supply.
 - c. It increases cost and decreases supply.
 - d. It has very little effect on production.
- _____ 7. What is one reason European governments protect the growing of food with subsidies even though imported food would be cheaper?
 - a. to have food in case imports are ever cut off
 - b. to allow the food producers to be able to pay their debts
 - c. to protect cattle growers because they like to see the cattle
 - d. to help the population forget the food shortages after World War II
- _____ 8. Why does the United States regulate automobile manufacturing in so many ways?
 - a. to protect the consumer from Japanese and European automobiles
 - b. to keep the price of U.S. automobiles competitive with others
 - c. to keep the manufacturers of U.S. automobiles from gaining too much of the market
 - d. to offset the air pollution caused by automobiles
- _____ 9. When any effort by government causes the supply of a good to rise, what happens to the supply curve for that good?
 - a. It shifts to the left.
 - b. It shifts to the right.
 - c. It reverses direction.
 - d. The supply curve is not affected.
- _____ 10. How do future expectations about the price of a good affect the present supply?
 - a. If the price is expected to increase, many producers will hold onto their supply.
 - b. If the price is expected to decrease, many producers will hold onto their supply.
 - c. If the price of a related good is expected to increase, only a few sellers will hold onto their supply until the increase occurs.
 - d. If the price is expected to increase and then decrease, most sellers will hold onto their supply until the decrease has occurred.

Section 3: Guided Reading and Review

Changes in Supply



CHAPTER 5

A. As You Read

As you read Section 3, supply information to complete each statement in the spaces provided.

1. Unable to control price, a profitable producer faced with rising labor and/or materials costs will _____.
2. New technology affects supply by _____.
3. European governments' reasons for subsidizing food producers include _____.
4. In the past, Western European governments subsidized banks and airlines by _____.
5. The United States government subsidizes such industries as _____.
6. An excise tax increases production costs by _____.
7. Consumers may be unaware of excise taxes because _____.
8. Government regulations often reduce supply because _____.
9. During periods of inflation, suppliers may temporarily withhold goods that can be stored for long periods because _____.

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B. Reviewing Key Terms

Complete each sentence by writing the correct key term in the blank provided.

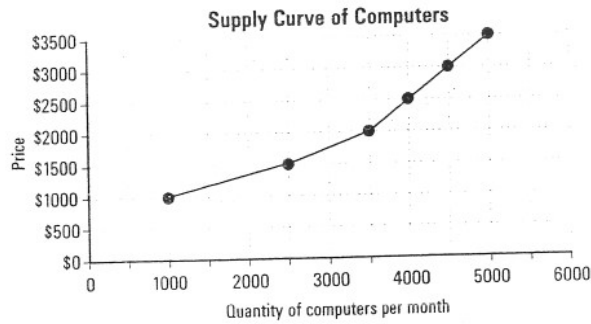
10. Government can increase supply by granting producers a(n) _____.
11. To reduce supply, a government might levy a(n) _____.
12. Requiring pollution control on automobiles exemplifies government _____.

4. SUPPLY

Name _____ Date _____

ECONOMIC SKILLS LAB TABLE TALK-INTERPRETING DATA

The following graph presents the monthly supply of computers.



1. Use the graph above to complete the first two columns of the following table.

Monthly Supply of Computers		
Price per Computer	Quantity per Month	New Quantity per Month
\$1,000	1,000	2,000

2. Assume that 1,000 more computers are supplied at each and every price. Complete the third column of the table and use the information to plot the new supply curve on the graph.
- Suppose the price of computers had been \$2,500 before the supply curve shifted. How many computers were supplied at that price? _____
 - Suppose the price of computers is \$2,000 after the supply curve shifts. How many computers are supplied at this lower price? _____
 - More computers are produced and sold at the lower price than at the higher price. Does this mean the price effect doesn't apply to the supply of computers? Explain.

3. Briefly describe one or two factors that could cause the supply curve to shift as shown in the graph above.

4. SUPPLY

Name _____

Date _____

Junior Achievement Inc.

The Economic News

Circulation 500,000

Supply of Dough

What does a 38-year-old woman do after spending nearly 20 years raising a family? In the case of Anne Beiler, the answer was simple: start a pretzel business.

Anne Beiler had a sharp eye for business opportunities. In the late 1980s she noticed the growing popularity of big, hand-rolled pretzels. So she borrowed money

from her father and opened Auntie Anne's, Inc., a pretzel store.

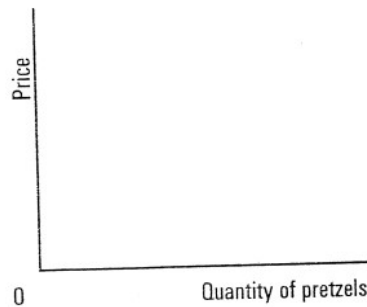
Success didn't come easily, however. At first her recipe produced pretzels that weren't very tasty, so customers weren't buying them. But "Auntie" Anne did not give up. Instead, she worked on her recipe until she produced pretzels customers liked. Her business became so successful that Anne began selling franchises to other

people. Soon, Auntie Anne's shops were rising around the country like pretzels in an oven. In 1995 the business was listed by *Inc.* magazine among the 500 most successful small businesses in the United States, and she has been featured on the weekly PBS television series, *Small Business 2000*.

Source: Marc Ballon, "Pretzel Queen," *Forbes*, Mar. 13, 1995 and www.sb2000.com, Mar. 2, 2000.

Questions for Understanding

1. Does the story of Auntie Anne's pretzels illustrate movement along a supply curve or a shift in the supply curve? Use a simple graph of supply to illustrate your answer.



2. How does the story illustrate a connection between incentives and entrepreneurship?

3. Does the story illustrate a connection between incentives and supply? Explain.

4. Besides introducing new products, in what other ways might entrepreneurs affect the supply of particular products?