Price per Bushel	Quantity Demanded (millions of bushels)	Quantity Supplied (millions of bushels)	Surplus/ Shortage	Will Price Rise or Fall?
$1.80	320	200	_____	_____
2.00	300	230	_____	_____
2.20	270	270	_____	_____
2.40	230	300	_____	_____
2.60	200	330	_____	_____
2.80	180	350	_____	_____

13. *(Market Equilibrium)* Determine whether each of the following statements is true, false, or uncertain. Then briefly explain each answer.
    a. In equilibrium, all sellers can find buyers.
    b. In equilibrium, there is no pressure on the market to produce or consume more than is being sold.
    c. At prices above equilibrium, the quantity exchanged exceeds the quantity demanded.
    d. At prices below equilibrium, the quantity exchanged is equal to the quantity supplied
14. *(Changes in Equilibrium)* What are the effects on the equilibrium price and quantity of steel if the wages of steelworkers rise and, simultaneously, the price of aluminum rises?

4-7 Describe the result of a government-set price floor or price ceiling on a market

15. *(Price Floor)* There is considerable interest in whether the minimum wage rate contributes to teenage unemployment. Draw a demand and supply diagram for the unskilled labor market, and discuss the effects of a minimum wage. Who is helped and who is hurt by the minimum wage law?

CHAPTER 5

5-1 Explain what's special about a national economy compared to regional, state, or local economies

1. *(The National Economy)* Why do economists pay more attention to national economies (for example, the U.S. or Canadian economies) than to state or provincial economies (such as California or Ontario)?

5-2 Describe the phases of the business cycle

2. *(Economic Fluctuations)* Describe the various components of fluctuations in economic activity over time. Because economic activity fluctuates, how is long-term growth possible?

5-3 Explain the shapes of the aggregate demand curve and the aggregate supply curve, and how they interact to determine real GDP and the price level for a nation

3. *(Aggregate Demand and Supply)* Review the information on demand and supply curves in Chapter 4. How do the aggregate demand and aggregate supply curves presented in this chapter differ from the market curves of Chapter 4?
4. *(Aggregate Demand and Supply)* Determine whether each of the following would cause a shift of the aggregate demand curve, a shift of the aggregate supply curve, neither, or both. Which curve shifts, and in which direction? What happens to aggregate output and the price level in each case?
    a. The price level changes.
    b. Consumer confidence declines.
    c. The supply of resources increases.
    d. The wage rate increases.

5-4 Identify the five eras of the U.S. economy, and describe briefly what went on during each

5. *(Five Eras of U.S. Economy)* Identify the five eras of the U.S. economy beginning with the Great Depression and before.
6. *(Supply-Side Economics)* One supply-side measure introduced by the Reagan administration was a cut in income tax rates. Use an aggregate demand/aggregate supply diagram to show what effect was intended. What might happen if such a tax cut also shifted the aggregate demand curve?

CHAPTER 6

6-1 Describe the two ways of computing GDP and explain why they are equivalent

1. *(Income Approach to GDP)* How does the income approach to measuring GDP differ from the expenditure approach? Explain the meaning of *value added* and its importance in the income approach. Consider the following data for the selling price at each stage in the production of a 5-pound bag of flour sold by your local grocer. Calculate the final market value of the flour.

Stage of Production	Sale Price
Farmer	$0.30
Miller	0.50
Wholesaler	1.00
Grocer	1.50

2. *(Expenditure Approach to GDP)* Given the following annual information about a hypothetical country, answer questions a through d.

	Billions of Dollars
Personal consumption expenditures	$200
Personal taxes	50
Exports	30
Depreciation	10
Government purchases	50
Gross private domestic investment	40
Imports	40
Government transfer payments	20

    a. What is the value of GDP?
    b. What is the value of net domestic product?
    c. What is the value of net investment?
    d. What is the value of net exports?

3. *(Investment)* Given the following data, answer questions a through c.

	Billions of Dollars
New residential construction	$500
Purchases of existing homes	250
Sales value of newly issued stocks and bonds	600
New physical capital	800
Depreciation	200
Household purchases of new furniture	50
Net change in firms' inventories	100
Production of new intermediate goods	700

a. What is the value of gross private domestic investment?
b. What is the value of net investment?
c. Are any intermediate goods counted in gross investment?

6-2 Trace through the circular flow model, explaining each of the 10 steps along the way

4. *(Circular Flow Model)* First describe in general terms the point of the circular flow model. Next describe the 10 steps along the way.
5. *(Leakages and Injections)* What are the leakages from and injections into the circular flow? How are leakages and injections related in the circular flow?

6-3 Identify the limitations of the national income accounting system

6. *(National Income Accounts)* What relevant aspects of the economy are not reflected in the national income accounting system.
7. *(Limitations of National Income Accounting)* Explain why each of the following should be taken into account when GDP data are used to compare the "level of well-being" in different countries:
   a. Population levels
   b. The distribution of income
   c. The amount of production that takes place outside of markets
   d. The length of the average workweek
   e. The level of environmental pollution

6-4 Define a price index and explain why is it useful

8. *(Consumer Price Index)* Calculate a new consumer price index for the data in the following exhibit. Assume that current-year prices of Twinkies, fuel oil, and cable TV are $0.95/package, $1.25/gallon, and $15.00/month, respectively. Calculate the current year's cost of the market basket and the value of the current year's price index. What is this year's percentage change in the price level compared to the base year?

Product	(1) Quantity in Market Basket	(2) Prices in Base Year	(3) Cost of Basket in Base Year (3) · (1) · (2)	(4) Prices in Current Year	(5) Cost of Basket in Current Year (5) · (1) · (4)
Twinkies	365 packages	$ 0.89/package	$ 324.85	$ 0.79	$ 288.35
Fuel oil	500 gallons	1.00/gallon	500.00	1.50	750.00
Cable TV	12 months	30.00/month	360.00	30.00	360.00
			$1,184.85		$1,398.35

9. *(Consumer Price Index)* Given the following data, what was the value of the consumer price index in the base year? Calculate the annual rate of consumer price inflation in 2013 in each of the following situations:
   a. The CPI equals 200 in 2012 and 240 in 2013.
   b. The CPI equals 150 in 2012 and 175 in 2013.
   c. The CPI equals 325 in 2012 and 340 in 2013.
   d. The CPI equals 325 in 2012 and 315 in 2013.

CHAPTER 7

7-1 Describe what the unemployment rate measures, and summarize four sources of unemployment

1. *(Measuring Unemployment)* Determine the impact on each of the following if 2 million formerly unemployed workers decide to return to school full time and stop looking for work:
   a. The labor force participation rate
   b. The size of the labor force
   c. The unemployment rate
2. *(Measuring Unemployment)* Suppose that the U.S. noninstitutional adult population is 230 million and the labor force participation rate is 67 percent.
   a. What would be the size of the U.S. labor force?
   b. If 85 million adults are not working, what is the unemployment rate?
3. *(Types of Unemployment)* Determine whether each of the following would be considered frictional, structural, seasonal, or cyclical unemployment:
   a. A UPS employee who was hired for the Christmas season is laid off after Christmas.
   b. A worker is laid off due to reduced aggregate demand in the economy.
   c. A worker in a DVD rental store becomes unemployed as video-on-demand cable service becomes more popular.
   d. A new college graduate is looking for employment.

7-2 Outline the pros and cons of unemployment insurance

4. *(Unemployment Insurance)* What are the pros and cons of unemployment insurance?
5. *(The Meaning of Full Employment)* When the economy is at full employment, is the unemployment rate at zero percent? Why or why not? How would a more generous unemployment insurance system affect the full employment figure?

7-3 Define inflation and describe the two sources of inflation

6. *(Two Sources of Inflation)* Using aggregate supply and aggregate demand, demonstrate two sources of inflation.
7. *(Inflation)* Here are some recent data on the U.S. consumer price index:

Year	CPI	Year	CPI	Year	CPI
1992	140.3	1999	166.6	2006	201.6
1993	144.5	2000	172.2	2007	207.3
1994	148.2	2001	177.1	2008	215.3
1995	152.4	2002	179.9	2009	214.5
1996	156.9	2003	184.0	2010	218.1
1997	160.5	2004	188.9	2011	224.9
1998	163.0	2005	195.3	2012	229.6