Answers to End-of-Chapter Review Questions

1. The three modes of investigation that economists use are: empirical (observation and recording of the specific phenomena of concern), theoretical (analysis based in abstract thought), and historical (study of past events).

2. A supply curve is a curve indicating the quantity that sellers are willing to supply at various prices (see Figure 9.3).

3. The difference between a decrease in quantity supplied and a decrease in supply is illustrated in the graphs below.

4. The five nonprice determinants of supply for a product sold by firms are: the available technology of production, resource prices, the number of producers, producer expectations about future prices and technology, and the prices of related goods and services.

5. A demand curve is a curve indicating the quantity that buyers are ready to purchase, at various prices (see Figure 9.6).
6. The difference between a decrease in quantity demanded and a decrease in demand is illustrated in the graphs below.

![Graphs illustrating decrease in quantity demanded and decrease in demand](image)

7. The five nonprice determinants of demand for a product purchased by households are (1) tastes and preferences, (2) incomes and/or available assets, (3) availability and prices of related goods and services, (4) consumer expectations about future prices and incomes, and (5) the number of consumers.

8. A graph illustrating surplus, shortage, and equilibrium is given below.

![Graph illustrating surplus, shortage, and equilibrium](image)

9. Two types of models, in regard to their treatment of time, are static (does not take into account the passage of time) and dynamic (explicitly takes time into account).

10. Two functions of markets are signaling (carrying information throughout the
economy) and rationing (determining who gets what).

11. Three ways in which supply can be insufficient are scarcity, shortage, and inadequacy.

12. Two ways that laws or agreements can put limits on market adjustment are price floors, stating that the price of a good or service will not fall below a certain level, and price ceilings, stating that prices will not be allowed to rise above a certain level.