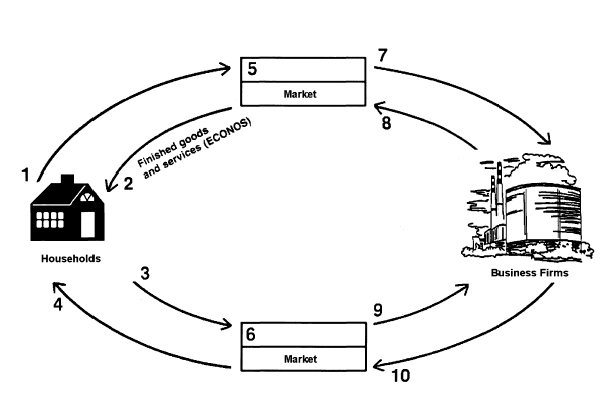
**Unit 2 Study Guide Name:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Block:\_\_\_\_\_\_\_\_**

**Circular Flow**

1. What is the product market?
2. What is the resource/factor market?
3. What types of transactions occur in the product market? Give a specific example.
4. What types of transactions occur in the resource market? Give a specific example.



1. Label the circular flow diagram below:

**Law of Demand**

1. What is the law of demand?
2. What are the two things required to be part of the demand for a particular good or service?
3. What kind of relationship does the law of demand illustrate?
4. What causes a movement *along* the demand curve?
5. What five things can cause a *shift* of the demand curve to the left or right? (list and give explanation)

**Important: a shift of the demand curve means a change in demand at *every* price!!**

1.

2.

3.

4.

5.

1. What does it mean when the demand for a product is inelastic?
2. What would cause a demand curve to move to the left? (give specific example - #10 will help you)
3. What would cause a demand curve to move to the right? (give specific example - #10 will help you)
4. What is elasticity of demand?
5. What is an inelastic good? (give definition and 2 examples)
6. What is an elastic good? (give definition and 2 examples)
7. What four factors influence whether a good is inelastic or elastic? (pg. 91-94)

**Law of Supply**

1. What is the law of supply?
2. What kind of relationship does the law of supply illustrate?
3. List five things that could cause a shift (to the left or right) of the supply curve.

1.

2.

3.

4.

5.

1. What would cause the supply curve to shift to the left? (question #20 will help you)
2. What would cause the supply curve to shift to the right? (question #20 will help you)
3. What is elasticity of supply?
4. Describe a good or service that would have an inelastic supply.
5. Describe a good or service that would have an elastic supply.
6. What is the one thing that has the largest influence on whether or not a good or service is price elastic or inelastic?

**Combining Supply & Demand – Equilibrium Price & Quantity**

1. What is equilibrium?
2. Draw a supply & demand graph that shows the location of the equilibrium, equilibrium price, and equilibrium quantity.
3. What is a price floor?
4. What is minimum wage? Is it a price floor or price ceiling?
5. What is a price ceiling?
6. What is rent control? Is it a price floor or price ceiling?
7. Why does rent control cause a negative incentive for developers to create new apartments or maintain existing apartments?
8. What is a shortage/excess demand?
9. What is a surplus/excess supply?
10. Draw a supply and demand graph that illustrates the location of a surplus and shortage.
11. Match the following scenarios with the appropriate graph (A, B, C, or D). All questions are dealing with **PIZZA**.
    1. The price of mozzarella cheese, an ingredient in pizza, rises. \_\_\_\_
    2. The population of the U.S. has declined by 5%. \_\_\_\_\_
    3. Sub sandwiches, a substitute for pizza, have decreased in price by $1.50. \_\_\_\_
    4. The number of pizzerias in Athens has risen. \_\_\_\_\_
    5. The government starts a new tax on the pizza industry. \_\_\_\_\_\_
    6. Pizza is found to cause severe weight gain. \_\_\_\_\_

