

Name: \_\_\_\_\_

Economics Final Exam

1. Each product that consumers buy has a differently shaped demand curve. Explain why this is true.
  
2. The demand schedule for Wilson A2000 baseball gloves is as follows below. The cost of producing a Wilson A2000 is \$72. Which price point would be best for Wilson to target the consumers to generate the greatest amount of profit?

Price to Consumers	Quantity Sold
\$90	2700000
\$100	2650000
\$110	2500000
\$120	2300000
\$130	2170000
\$140	2030000
\$150	1880000
\$160	1710000
\$170	1500000
\$180	1430000
\$190	1320000
\$200	1120000

3. What does it mean if a product has “elastic” demand? What does “inelastic” demand mean?
  
4. What are some of the factors that can affect how elastic or inelastic a demand curve is?

5. Would table salt have elastic or inelastic demand? Explain in several sentences.
  
6. The price of Ray-Ban Wayfarers increased from \$140 to \$195 after Leonardo DiCaprio wore them in his new movie. As a result, demand of Wayfarers fell from 3.6 million units/year to 3.3 million units/year. Is the demand for Wayfarers elastic or inelastic? Explain.
  
7. The price of a Japanese Government Bond on the open market fell from 120,050,125 to 119,045,750 in one day. The number of investors bidding to purchase it increased from 72 to 78. Is demand elastic or inelastic? Explain.
  
8. What is diminishing marginal utility? Explain how this concept is what causes the curve of demand to be downward shaped.
  
9. Do sellers generally want demand for their products to be elastic or inelastic? What can sellers do in order to make demand for their products more resilient to price increases?

10. What is GDP? How is it calculated? What is the difference between GDP on a Purchasing Power Parity (PPP) basis and an exchange rate basis?
  
11. How is the unemployment rate calculated? To be “unemployed”, what should a person be doing? What is the labor participation rate? How can the unemployment rate alone inaccurately affect the conditions in the labor market?
  
12. What is the official definition of a “recession”? Typically, what do governments of the world do when a recession occurs? Why would they do this? Does this have good results? Explain.
  
13. Explain what clusters are. Give a few examples. What economic benefit do clusters bring in an economy?
  
14. What is the balance of trade in an economy? If a country imports a lot more than it exports, does it have a deficit or a surplus? Is a deficit or a surplus necessarily “bad” for an economy? Explain.
  
15. How can economic freedom promote the general wellbeing of the population? Do countries with higher levels of economic freedom have a higher standard of living than countries with lower freedom? Explain why, in detail.