Name Key Class ________ Date ________

CHAPTER 6 SECTION 1

GUIDED READING AND REVIEW

Combining Supply and Demand

A. As You Read

Directions: As you read Section 1, answer each question. Use complete sentences. Then apply your knowledge to the guiding

What factors affect prices?

1. At the equilibrium point, what is balanced with, or equal to, supply?

THE DEMAND CURVE intersects Supply @ Eqlib.

2. An equilibrium price allows which two groups to come together?

Demanders + Sellers

3. What is the condition of the market when supply and demand are not balanced?

disEQUILIBRIUM

4. How does a shortage affect the price of an item?

Shortages will Cause prices to Rise

5. What is the purpose of rent control?

to Hold prices low for people who are econ challenged.

6. How can the minimum wage cause a surplus of labor?

More people are willing to offer labor when wages are forced higher.

B. Reviewing Key Terms

Directions: Complete each sentence by writing the correct term or terms in the blank provided.

7. Governments can set two types of price limitations, called Ceilings, which usually cause Shortage, and floors, which can cause Surpluses

8. A business might have a clearance sale to get rid of a Surplus.

Name ____________ Class ____________ Date ____________

Chapter 6 Section 1

QUIZ A

Combining Supply and Demand

3

A. Key Terms and Concepts

Directions: *Match an item in Column II with one of the descriptions below.*

Column I

c 1. point at which quantity demanded equals quantity supplied

h 2. when quantity supplied is not equal to quantity demanded

e 3. when quantity demanded is more than quantity supplied

a 4. legal maximum that can be charged for a good

b 5. government-set price floor on earnings

g 6. when quantity supplied is greater than quantity demanded

Column II

a. price ceiling
b. minimum wage
c. equilibrium
d. price floor
e. shortage
f. rent control
g. surplus
h. disequilibrium

B. Main Ideas

Directions: *Write the letter of the correct answer in the blank provided.*

b 7. When there is a shortage of a good, what happens to the price?
a. It remains unchanged.
b. It increases.
c. A price ceiling is imposed.
d. It decreases.

b 8. What is the government's goal in using subsidies to buy excess crops or other agricultural products?
a. to raise minimum wage
b. to keep prices from going down
c. to set legal price ceilings
d. to lower prices

a 9. What happens when a market is in disequilibrium and prices are flexible?
a. Market forces push toward equilibrium.
b. Sellers waste their resources.
c. Excess demand is created.
d. Unsold perishable goods are thrown out.

c 10. Why does a government place price ceilings, such as rent control, on some "essential" goods?
a. to prevent inflation during boom times
b. to keep business people from making large profits
c. to keep the goods from becoming too expensive
d. to reduce demand for these goods

ex gasoline in 1970
Rent Control in 1980

Name ______________________ Class ______________________ Date ______________

CHAPTER 6 SECTION 2

GUIDED READING AND REVIEW

Changes in Market Equilibrium

A. As You Read

Directions: As you read Section 2, complete the chart. Write an effect for each cause. Then apply your knowledge to the Guiding Question:

How do changes in supply and demand affect equilibrium?

Cause	Effect
1. The technology for making digital cameras improves.	**1.** Effect on suppliers' costs: go down
2. The price of digital cameras falls.	**2.** Effect on the demand curve: move down along the curve
3. The cost of making new cars goes up.	**3.** Effect on supply curve: shifts left
4. Car suppliers raise prices.	**4.** Effect on equilibrium: Creates disequilibrium

B. Reviewing Key Terms

Directions: Rewrite each sentence so that the bold term is used correctly. You will have to change at least one word or phrase.

5. A **fad** is a good that is popular for ~~an extended~~ period of time.

a brief

6. **Inventory** is the quantity of goods a firm ~~has~~ sold.

has not

7. ~~Suppliers~~ pay **search costs** as they search for a good.

buyers

Name ______________________ Class ______________________ Date ____________

CHAPTER 6 SECTION 2

QUIZ A

Changes in Market Equilibrium

3

A. Matching

Directions: *Match an item in Column II with one of the descriptions below.*

Column I

e 1. the quantity of goods a company has on hand

c 2. the costs consumers pay in looking for a good

f 3. a product that reflects the impact of advertising on consumer behavior

a 4. when demand is higher than supply

b 5. the market's first response to a decrease in supply

Column II

a. shortage

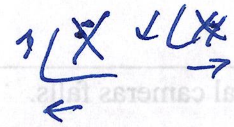
b. disequilibrium

c. search costs

d. equilibrium

e. inventory

f. fad → Ad's Create fads

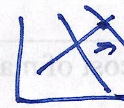


B. Main Ideas

Directions: *Write the letter of the correct answer in the blank provided.*

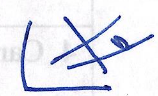
b 6. How does a firm respond to a higher demand for its goods?

- a. It rations goods.
- b. It raises prices.
- c. It cuts prices.
- d. There is no set response.



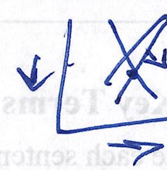
b 7. How does an improvement in the technology for producing cellular phones affect the supply of cell phones?

- a. The supply curve moves left.
- b. The supply curve moves right.
- c. The demand curve moves right.
- d. The demand curve moves left.



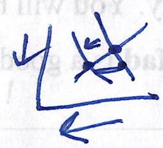
c 8. When are lower costs passed on to consumers?

- a. when the market is in disequilibrium
- b. when the market has a shortage
- c. when manufacturing input fees are reduced
- d. when the supply curve shifts to the left



d 9. What happens after the demand for a fad drops?

- a. Qty Supply goes down; price goes up.
- b. Both supply and price go up.
- c. There is a shortage.
- d. There is a surplus.



a 10. When is a market at equilibrium?

- a. when quantity demanded equals quantity supplied
- b. when unsold goods begin to pile up
- c. when prices equal the cost of production
- d. when suppliers begin to reduce prices

Name ____________ Class ____________ Date ____________

CHAPTER 6
SECTION 3

GUIDED READING AND REVIEW

The Role of Prices

A. As You Read

Directions: As you read Section 3, answer each question. Use complete sentences. Then apply your knowledge to the guiding question:

What roles do prices play in a free market economy?

1. How do buyers and sellers use prices to communicate within the price system?

Sellers ↑ or ↓ Prices   Buyers ↓ or ↑ purchases

2. What do buyers learn from prices?

Value of Goods

3. How are prices an incentive for consumers and producers?

C → Seeking lowest price ↑ buying power; P → highest price creates more profit

4. What causes price changes in a flexible market?

Shifts in the supply or demand curve.

5. Why do suppliers increase production when there is high demand and high prices?

INcrease Profits when Prices are high

6. How does imperfect competition affect prices?

Not enough competition allow unchecked sellers to have higher Prices

B. Reviewing Key Terms

Directions: Define the following terms.

7. supply shock Sudden shortage of a good causing excess demand

8. rationing Govt - system for limiting scarce goods

9. black market illegal response to rationing; ~~good~~ goods + svcs sold outside legal system..

Name ______________ Class ______________ Date ______________

CHAPTER 6 SECTION 3

QUIZ A

The Role of Prices

A. Matching

Directions: *Match each item in Column II with one of the descriptions below.*

Column I

d 1. resources are distributed according to price

e 2. motivation to sell based on potential profit

a 3. dividing up goods and services without regard to prices

b 4. business conducted without regard for government controls

c 5. a sudden shortage of a good

f 6. using resources for their most valuable purposes

Column II

a. rationing
b. black market
c. supply shock
d. free market
e. profit incentive
f. efficient resource allocation
g. price floor

B. Main Ideas

Directions: *Write the letter of the correct answer in the blank provided.*

b 7. What is the main principle of Adam Smith's *The Wealth of Nations*?
a. Profits are made by selling people what they need.
b. Business prospers by finding out what people want and then providing it.
c. People do not always get what they need.
d. A price-based system provides few incentives for businesses.

b 8. During World War II, the United States used rationing to
a. limit production.
b. meet tremendous shortages.
c. give away goods.
d. stop the black market.

a 9. What prompts efficient resource allocation in a market system?
a. business profits
b. distribution according to need
c. government regulation
d. price ceilings

b 10. How do price changes drive markets toward equilibrium?
a. by setting new price floors and ceilings
b. by increasing or decreasing supply or demand
c. by ensuring that prices are fair
d. by preventing inflation or deflation