

CHAPTER 6, SECTION 1 QUIZ

Sentence Completion

For questions 1–5, write the word or phrase that best completes each sentence on the line provided.

1. The price in a market that indicates that the quantity buyers are willing and able to buy is equal to the quantity that sellers are willing and able to produce and offer for sale is called the _____ price.
2. When the quantity demanded of a good is greater than the quantity that is supplied, a(n) _____ exists.
3. _____ is what we call the stock of goods that a business or store has on hand.
4. A legislated minimum price that is above the equilibrium price is called a(n) _____.
5. When the quantity supplied of a good exceeds the quantity demanded, there is a(n) _____ in the market.

True or False

Mark statements 6–10 true or false by writing T or F on the line provided.

- _____ 6. Equilibrium exists in all markets, all the time.
- _____ 7. When there is a surplus, prices tend to rise.
- _____ 8. For equilibrium to change, supply or demand would have to change.
- _____ 9. If everything else remains the same and demand increases, prices will likely drop.
- _____ 10. If all markets were in equilibrium, this would indicate that buyers and sellers are happy.

CHAPTER 6, SECTION 1

Price: Supply and Demand Together

In a market, supply and demand work together to determine the price of a good. Write your answers to questions 1–6 in the blanks provided to be sure you understand the different market conditions and how they affect price.

1. What market condition exists when quantity supplied is greater than quantity demanded?

2. What happens to price when the market condition in question 1 exists? _____
3. What market condition exists when quantity demanded is greater than quantity supplied?

4. What happens to price when the market condition in question 3 exists? _____
5. What market condition exists when quantity demanded is equal to quantity supplied?

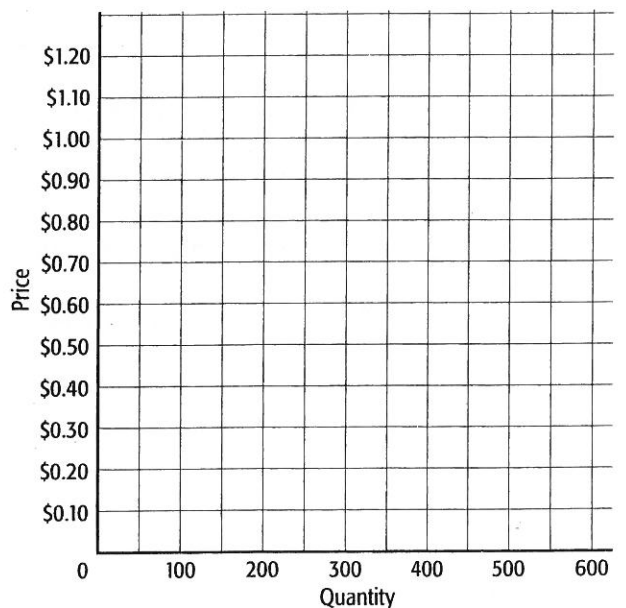
6. Do markets tend to move toward shortage, surplus, or equilibrium? _____

Suppose that in the market for gadgets, the quantities demanded and supplied at various prices are as shown in the following table, and answer question 7.

SUPPLY AND DEMAND IN THE GADGET MARKET

Price	Quantity	
	Demanded	Supplied
\$0.10	450	50
\$0.20	400	100
\$0.30	350	150
\$0.40	300	200
\$0.50	250	250
\$0.60	200	300
\$0.70	150	350
\$0.80	100	400

7. Use the information in the table to draw the supply and demand curves for the gadget market on the following grid. Label the vertical axis "Price" and label the horizontal axis "Quantity." Use the prices and quantities demanded in the table to plot the demand curve. Label it D_1 . Use the prices and quantities supplied in the table to plot the supply curve. Label it S_1 .



Price: Supply and Demand Together

Use the graph you created in question 7 to answer questions 8–15.

8. The equilibrium price in the gadget market is _____.
9. At the equilibrium price, sellers want to sell _____ gadgets and buyers want to buy _____ gadgets.
10. If the price of gadgets rises to \$0.70, sellers will want to sell _____ gadgets and buyers will want to buy _____ gadgets.
11. A price rise to \$0.70 will result in a _____ of _____ gadgets.
12. If the market condition in question 11 exists, prices will _____ and price will settle at _____.
13. If the price of gadgets falls to \$0.30, sellers will want to sell _____ gadgets and buyers will want to buy _____ gadgets.
14. A price fall to \$0.30 will result in a _____ of _____ gadgets.
15. If the market condition in question 13 exists, prices will _____ and price will settle at _____.

Now assume that as a result of changing consumer preferences, gadgets become the newest fad, and respond to questions 16 and 17.

16. Will this change in consumer preferences cause a change in demand or quantity demanded?

17. Use the demand schedule below to draw a second demand curve on the grid in question 7. Label this second demand curve D_2 .

Price	Quantity demanded
\$0.10	550
\$0.20	500
\$0.30	450
\$0.40	400
\$0.50	350
\$0.60	300
\$0.70	250
\$0.80	200

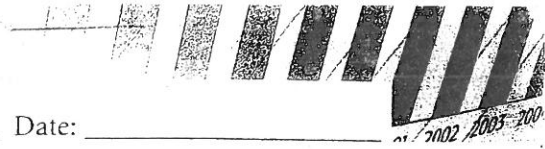
Use the graph in question 7, which now shows demand curves D_1 and D_2 and supply curve S_1 , to answer questions 18–21.

18. The new equilibrium price in the gadget market is _____.
19. At the new price, sellers want to sell _____ gadgets and buyers want to buy _____ gadgets.
20. Is the gadget market described by D_2 and S_1 in a state of shortage, surplus, or equilibrium?

21. So, as a result of the change in consumer preferences, the price of gadgets increased _____, the quantity demanded increased _____ units, and the quantity supplied increased _____ units.

Price is a way for buyers and sellers to communicate with each other. It signals a change in the market for a good. Fill in each blank in questions 22–25 with the correct word.

22. When a market experiences a shortage, price will _____.
23. When a shortage occurs, supply and demand work together to influence price and move the market toward _____.
24. When a market experiences a surplus, price will _____.
25. When a surplus occurs, supply and demand work together to influence price and move the market toward _____.



CHAPTER 6, SECTION 1

Price Controls

Fill in the blanks in questions 1 and 2 with the correct words.

1. A price ceiling is a legislated price _____ which legal trades cannot be made.
2. A price floor is a legislated price _____ which legal trades cannot be made.

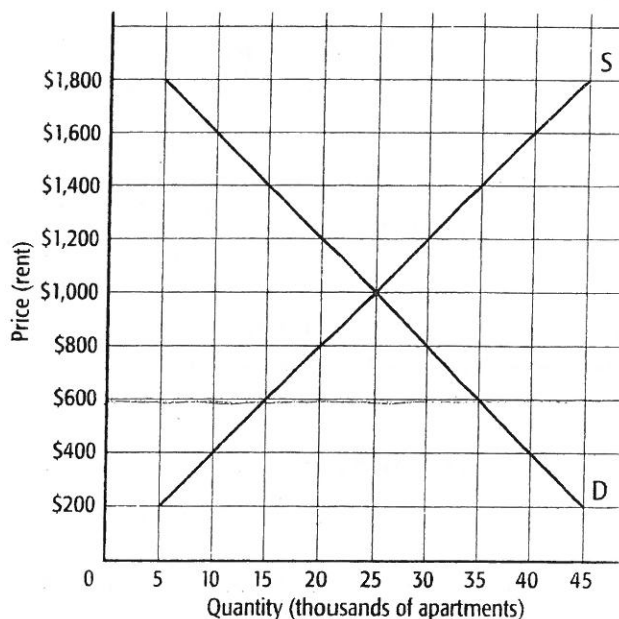
Rent control is a price ceiling. It is an effort by local government to help the poor by making housing more affordable. The following graph shows apartment rents in a local housing market.

Use the graph to answer questions 3 and 4.

3. The equilibrium price of apartments in this market is _____.
4. The equilibrium quantity of apartments in this market is _____ units.

Now suppose this local government imposes rent controls that require apartments be rented for no more than \$600, and respond to question 5.

5. Draw a horizontal line across the graph at a price (rent) of \$600 to show this price ceiling.



A Housing Market

Questions 6–9 are based on the new graph, which now shows the price ceiling. Write your answers in the blanks provided.

6. At a rent of \$600, _____ apartments are demanded and _____ apartments are supplied.
7. The local government intended to help the poor by controlling the price of housing but, instead, has created a _____ of _____ apartments.
8. What happens to many people as a result of the rent control?

9. How could the local government achieve its goal of helping the poor without using rent control?

A minimum wage is a price floor. It is an effort by state or federal government to ensure that workers receive a fair wage for their labor. The following graph shows the wages in a labor market.

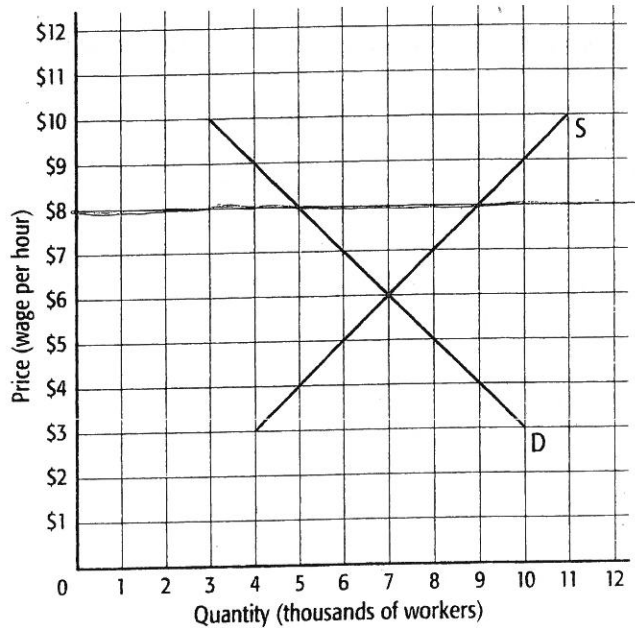
Use the graph to answer questions 10 and 11.

10. The equilibrium price of labor in this market is _____

11. The equilibrium quantity of labor in this market is _____ workers.

Now, suppose that government imposes a minimum wage of \$8 an hour—no worker can receive a wage of less than \$8 an hour—and answer question 12.

12. Draw a horizontal line across the graph at a price (wage) of \$8 to show this price floor.



A Labor Market

Questions 13–16 are based on the new graph, which now shows the price floor. Write your answers in the blanks provided.

13. At a wage of \$8 an hour, _____ workers are demanded and _____ workers are supplied.

14. Government intended to help workers by setting a minimum wage but, instead, has created a _____ of _____ workers.

15. What happens to many workers as a result of the minimum wage? _____

16. How could government achieve its goal of helping workers without using a minimum wage?
