Name ______________________ Class ______________ Date ______________

CHAPTER 6

CHAPTER OUTLINE

Prices 2

Directions: Fill in the outline below. Filling in the blanks will help you as you read and study Chapter 6.

I. Section 1: Combining Supply and Demand

A. Reaching Equilibrium

1. An equilibrium price is the price that both

______________________ and ______________________ will accept.

2. The equilibrium point is the point at which quantity

______________________ equals quantity ______________________.

B. Disequilibrium, Shortage, and Surplus

1. Disequilibrium is when ______________________ and

______________________ in the market are not balanced.

2. Prices often rise when there is a ______________________ of a good.

3. A ______________________ is when the supply is greater than the demand and there are unsold goods.

C. Government Protection

1. The government sets ____________________ ____________________, which are the highest prices allowed.

2. When the government sets the price floor, it is the

______________________ price for a good or service.

3. Price supports are a type of ______________________ that guarantees farmers a certain price for their goods.

II. Section 2: Changes in Market Equilibrium

A. Changes in Supply

1. An increase in supply causes the entire supply curve

to shift to the ______________________.

2. Increased or decreased supply causes changes in the ________________________ price.

B. Changes in Demand

1. Decreased demand shifts the demand curve to the ________________________.
2. A fad causes _______________ demand and _______________ prices.

III. Section 3: The Role of Prices

A. Price System

1. The price system helps sellers and buyers ________________________ with each other.
2. Both buyers and sellers can choose a ________________________ if a product is too expensive.
3. Prices can offer ________________________ to both consumers and producers.

B. Prices Promote Flexibility and Efficiency

1. A natural disaster can create a supply shock, or sudden ________________________ of a good.
2. The government may ________________________ goods to make sure everyone receives a fair share.
3. A ________________________ ________________________ sells above the legal price set by rationing.

C. Profit Incentive and Market Problems

1. The incentive for most people is the ________________________ they get from their work, land, or business.
2. If only a few firms sell a product, ________________________ ________________________ can keep prices high.