

## Chapter 6

### Matching

*Match each statement with the correct item below.*

- a. system under which the government or another agency decides everyone's fair share of a product
- b. the minimum wage, the lowest legal price that can be paid to most workers, is an example of this
- c. partial refund of the original price of a product
- d. situation in which the quantity of goods and services supplied equals demand
- e. where this occurs, resources slowly shift to other markets where equilibrium prices prevail
- f. price that "clears the market"
- g. unsold product that causes suppliers to reduce their prices
- h. monetary value of a product as established by supply and demand
- i. has neither a penalty nor an obligation to repay if not paid back
- j. condition that leaves producers wishing they had charged a higher price for their products

- \_\_\_\_\_ 1. rebate
- \_\_\_\_\_ 2. rationing
- \_\_\_\_\_ 3. price floor
- \_\_\_\_\_ 4. surplus
- \_\_\_\_\_ 5. nonrecourse loan

### Multiple Choice

*Identify the choice that best completes the statement or answers the question.*

- \_\_\_\_\_ 6. Which of the following is a reason why prices effectively perform the allocation function?
  - a. Prices are unfamiliar and not easily understood.
  - b. Prices favor the consumer over the producer.
  - c. Prices remain surprisingly stable despite unexpected events.
  - d. Competitive markets find their own prices without interference.

7.

The Internet is proving so successful at...improving on the ways people shop and the ways businesses work that soon...the Internet economy will be the single biggest part of the global economy's infrastructure....

The most important change is that you, the customer, will have access to much more information about goods and services.... Access to real-time information about prices leads to more efficient market places, where the price you pay better reflects actual demand....

Buyers and sellers have opened up lines of communication that are cutting out layers of middlemen and cutting down...costly inventories. The result: lower prices...and more customization of the things you buy.

Source: Don Willmott, "The Internet Economy Will Take Over," *PC Magazine*, June 22, 1999.



According to the passage, how does the Internet make market places more efficient?

- a. It cuts out the middlemen.
- b. It provides real-time price information.
- c. It helps reduce costly inventories.
- d. It enables product customization.

8. Prices enable a market economy to adjust to unexpected events by

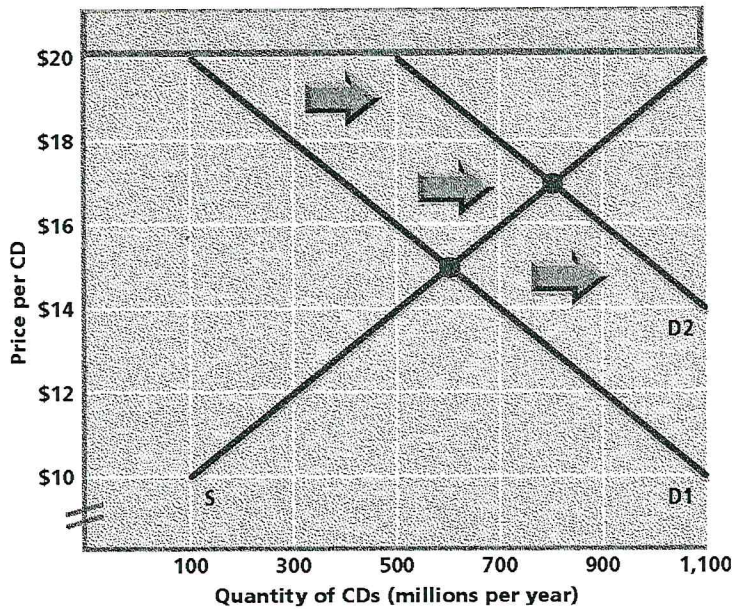
- a. government rationing.
- b. maintaining consumption and production at stable levels.
- c. adjusting consumption and production.
- d. ensuring that producers always earn a profit.

9. A perfectly competitive market

- a. is necessary for markets to be useful.
- b. requires a set of ideal conditions and outcomes.
- c. demonstrates the need for subsidies and price ceilings.
- d. is often found in the real world.

10. Which of the following is a characteristic of allocation by rationing?

- |                                    |                              |
|------------------------------------|------------------------------|
| a. increased incentive for workers | c. no cost of administration |
| b. perceived lack of fairness      | d. efficiency                |



11.



Suppose the demand curve shifts from D1 to D2, as shown on the graph. How do the quantity supplied and quantity demanded change at the new equilibrium price?

- Both quantity supplied and quantity demanded decrease.
- Both quantity supplied and quantity demanded increase.
- Quantity supplied increases and quantity demanded decreases.
- Quantity supplied decreases and quantity demanded increases.

12. If a competitive market is at equilibrium, and if there is a sudden increase in demand, then a temporary

- surplus will occur and the price will increase.
- shortage will occur and the price will fall.
- surplus will occur and the price will fall.
- shortage will occur and the price will increase.

13. The federal minimum wage law demonstrates

- market equilibrium.
- a societal choice for economic equity over efficiency.
- the function of equilibrium price in a competitive market.
- government intervention to ensure the equilibrium price.

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

ID: A

Essay

**APPLYING SKILLS**

*Using Tables: Study the table and answer the questions below.*

Annual Supply and Demand for VCRs (in Thousands)		
Price	Quantity Demanded	Quantity Supplied
\$100	23	3
\$110	22	4
\$120	20	5
\$130	18	10
\$140	16	12
\$150	14	14
\$160	10	18
\$170	6	26
\$180	3	30
\$190	2	34

14.



What is the equilibrium price for DVD players?

15.



What would be the result of a \$110 price ceiling on DVD players?



## Chapter 6

### Answer Section

#### MATCHING

1. ANS: C                      PTS: 1                      DIF: Average  
REF: Learn more about this question in Economics Principles and Practices, page 146, and in the Reading Essentials and Notetaking Guide, Chapter 6, Section 1. For additional practice, complete Chapter 6, Section 1, of the Interactive Tutor Self-Assessment CD-ROM, and visit this book's Online Learning Center at [glencoe.com](http://glencoe.com).                      NOT: Page 146
2. ANS: A                      PTS: 1                      DIF: Average  
REF: Learn more about this question in Economics Principles and Practices, page 145, and in the Reading Essentials and Notetaking Guide, Chapter 6, Section 1. For additional practice, complete Chapter 6, Section 1, of the Interactive Tutor Self-Assessment CD-ROM, and visit this book's Online Learning Center at [glencoe.com](http://glencoe.com).                      NOT: Page 145
3. ANS: B                      PTS: 1                      DIF: Average  
REF: Learn more about this question in Economics Principles and Practices, page 158, and in the Reading Essentials and Notetaking Guide, Chapter 6, Section 3. For additional practice, complete Chapter 6, Section 3, of the Interactive Tutor Self-Assessment CD-ROM, and visit this book's Online Learning Center at [glencoe.com](http://glencoe.com).                      NOT: Page 158
4. ANS: G                      PTS: 1                      DIF: Average  
REF: Learn more about this question in Economics Principles and Practices, page 150, and in the Reading Essentials and Notetaking Guide, Chapter 6, Section 2. For additional practice, complete Chapter 6, Section 2, of the Interactive Tutor Self-Assessment CD-ROM, and visit this book's Online Learning Center at [glencoe.com](http://glencoe.com).                      NOT: Page 150
5. ANS: I                      PTS: 1                      DIF: Average                      REF: Page 159  
NOT: Learn more about this question in Economics Principles and Practices, page 159, and in the Reading Essentials and Notetaking Guide, Chapter 6, Section 3. For additional practice, visit this book's Online Learning Center at [glencoe.com](http://glencoe.com).

#### MULTIPLE CHOICE

6. ANS: D                      PTS: 1                      DIF: Average  
REF: Learn more about this question in Economics Principles and Practices, page 144, and in the Reading Essentials and Notetaking Guide, Chapter 6, Section 1. For additional practice, complete Chapter 6, Section 1, of the Interactive Tutor Self-Assessment CD-ROM, and visit this book's Online Learning Center at [glencoe.com](http://glencoe.com).                      NOT: Page 144
7. ANS: B                      PTS: 1                      DIF: Average  
REF: Learn more about this question in Economics Principles and Practices, page 146, and in the Reading Essentials and Notetaking Guide, Chapter 6, Section 1. For additional practice, complete Chapter 6, Section 1, of the Interactive Tutor Self-Assessment CD-ROM, and visit this book's Online Learning Center at [glencoe.com](http://glencoe.com).                      MSC: Document Based Question                      NOT: Page 146
8. ANS: C                      PTS: 1                      DIF: Average  
REF: Learn more about this question in Economics Principles and Practices, page 144, and in the Reading Essentials and Notetaking Guide, Chapter 6, Section 1. For additional practice, complete Chapter 6, Section 1, of the Interactive Tutor Self-Assessment CD-ROM, and visit this book's Online Learning Center at [glencoe.com](http://glencoe.com).                      NOT: Page 144

9. ANS: B PTS: 1 DIF: Average  
 REF: Learn more about this question in Economics Principles and Practices, page 154, and in the Reading Essentials and Notetaking Guide, Chapter 6, Section 2. For additional practice, complete Chapter 6, Section 2, of the Interactive Tutor Self-Assessment CD-ROM, and visit this book's Online Learning Center at glencoe.com. NOT: Page 154
10. ANS: B PTS: 1 DIF: Average  
 REF: Learn more about this question in Economics Principles and Practices, page 145, and in the Reading Essentials and Notetaking Guide, Chapter 6, Section 1. For additional practice, complete Chapter 6, Section 1, of the Interactive Tutor Self-Assessment CD-ROM, and visit this book's Online Learning Center at glencoe.com. NOT: Page 145
11. ANS: B PTS: 1 DIF: Average  
 REF: Learn more about this question in Economics Principles and Practices, pages 149-153, and in the Reading Essentials and Notetaking Guide, Chapter 6, Section 2. For additional practice, complete Chapter 6, Section 2, of the Interactive Tutor Self-Assessment CD-ROM, and visit this book's Online Learning Center at glencoe.com. MSC: Document Based Question NOT: Pages 149-153
12. ANS: D PTS: 1 DIF: Average  
 REF: Learn more about this question in Economics Principles and Practices, pages 149-151, and in the Reading Essentials and Notetaking Guide, Chapter 6, Section 2. For additional practice, complete Chapter 6, Section 2, of the Interactive Tutor Self-Assessment CD-ROM, and visit this book's Online Learning Center at glencoe.com. NOT: Pages 149-151
13. ANS: B PTS: 1 DIF: Average REF: Page 158  
 NOT: Learn more about this question in Economics Principles and Practices, page 158, and in the Reading Essentials and Notetaking Guide, Chapter 6, Section 3. For additional practice, visit this book's Online Learning Center at glencoe.com.

## SHORT ANSWER

14. ANS:  
 \$150  
 PTS: 1 DIF: Average REF: Page 149 MSC: Document Based Question  
 NOT: Learn more about this question in Economics Principles and Practices, page 149, and in the Reading Essentials and Notetaking Guide, Chapter 6, Section 2. For additional practice, visit this book's Online Learning Center at glencoe.com.
15. ANS:  
 a shortage of 18,000 DVD players  
 PTS: 1 DIF: Average REF: Pages 149-151  
 MSC: Document Based Question  
 NOT: Learn more about this question in Economics Principles and Practices, pages 149-151, and in the Reading Essentials and Notetaking Guide, Chapter 6, Section 2. For additional practice, visit this book's Online Learning Center at glencoe.com.