Name ______________________ Date ____________________ Class ____________________

GUIDED READING Activity 7-1

For use with textbook pages 169–175

DEMAND

FILLING IN THE BLANKS

Directions: *Use your textbook to fill in the blanks using the words in the box. Some words may be used more than once.*

voluntary exchange	market economy	supply
substitution effect	demand	buyer
law of demand	quantity demanded	utility
marginal utility	real income effect	market
law of diminishing marginal utility		

The Marketplace

In a **1** ____________________, consumers have a great influence on the prices of all goods and services. **2** ____________________ is what people want to buy and how much they will pay for it, while **3** ____________________ is the amount of goods and services that producers are able and willing to sell at a particular price. A **4** ________________ represents the freely chosen actions between buyers and sellers of goods and services. **5** ____________________ involves a buyer and seller working toward satisfactory terms of exchange. In order to make an exchange, both the **6** ____________ and seller must believe they will be better off than before.

The Law of Demand

The **7** ____________________ states that there is an inverse, or opposite, relationship between quantity demanded and price. Different factors explain the inverse relationship between price and **8** ____________________, or how much people will buy of any item at a particular price. If a person's income stays the same while prices rise, they will not be able to buy the same quantity of goods. This concept is known as the **9** ____________________. The **10** ____________________ states that if two items satisfy the same need and the price of one rises, people will buy the cheaper product. Economists use the term **11** ________________ to describe the amount of satisfaction a product brings. The amount of additional satisfaction one gets from a purchase is known as **12** ____________________. However, with each additional purchase the amount of satisfaction lessens. This is known as the **13** ____________________.

Name ______________________ Date ______________ Class ______________

GUIDED READING Activity 7-2

For use with textbook pages 177–185

THE DEMAND CURVE AND ELASTICITY OF DEMAND

RECALLING THE FACTS

Directions: *Use the information in your textbook to answer the questions.*

Graphing the Demand Curve

1. What is shown on a demand schedule?

____

2. What is a demand curve?

____

Determinants of Demand

3. How is a change in quantity demanded similar to and different from a change in demand?

   Similar: ____

   Different: ____

4. What five factors can affect the demand for a specific product?

____

____

5. What is a complementary product?

____

The Price Elasticity of Demand

6. What do economists call elasticity?

____

7. What is the measure of how much consumers will respond to price changes?

____

8. What is the difference between elastic and inelastic demand?

____

9. What three factors determine the price elasticity of demand?

   a. ____

   b. ____

   c. ____

Name ______________________ Date ________________ Class ______________________

GUIDED READING Activity 7-3

For use with textbook pages 186–193

THE LAW OF SUPPLY AND THE SUPPLY CURVE

OUTLINING

Directions: *Locate the heading in your textbook. Then use the information under the heading to help you write each answer.*

I. Profits and the Law of Supply

A. What is the law of supply?

____

____

B. In the case of supply, what does a higher price do for a producer?

____

____

II. The Supply Curve

A. How is the price of a product affected if production is expanded?

____

____

B. What does a supply curve show?

____

C. What is the main difference between a demand curve and a supply curve?

____

____

III. The Determinants of Supply

A. Price of Inputs—How does the supply curve shift if the price of inputs drops?

____

B. Number of Firms in the Industry—If more firms enter an industry, what happens to supply?

____

C. Taxes—How would an increase in government taxes affect the supply curve?

____

D. Technology—How does an improvement in technology affect supply?

____

IV. The Law of Diminishing Returns—What is the law of diminishing returns?

____

Name ______________________ Date ________________ Class ______________________

GUIDED READING Activity 7–4

For use with textbook pages 194–199

PUTTING SUPPLY AND DEMAND TOGETHER

RECALLING THE FACTS

Directions: *Use the information in your textbook to answer the questions.*

Equilibrium Price

1. What happens as the price of a good decreases?

____

2. What is the equilibrium price?

____

3. How can economists visualize equilibrium price?

____

Prices as Signals

4. How do prices serve as signals to producers and consumers?

Producers: ____

Consumers: ____

5. When do shortages or surpluses of products occur?

Shortage: ____

Surplus: ____

Price Controls

6. Why does the government sometimes control prices?

____

____

7. What are price ceilings?

____

8. What are two nonmarket ways of distributing goods and services?

____

9. Why does the government set price floors?

____