

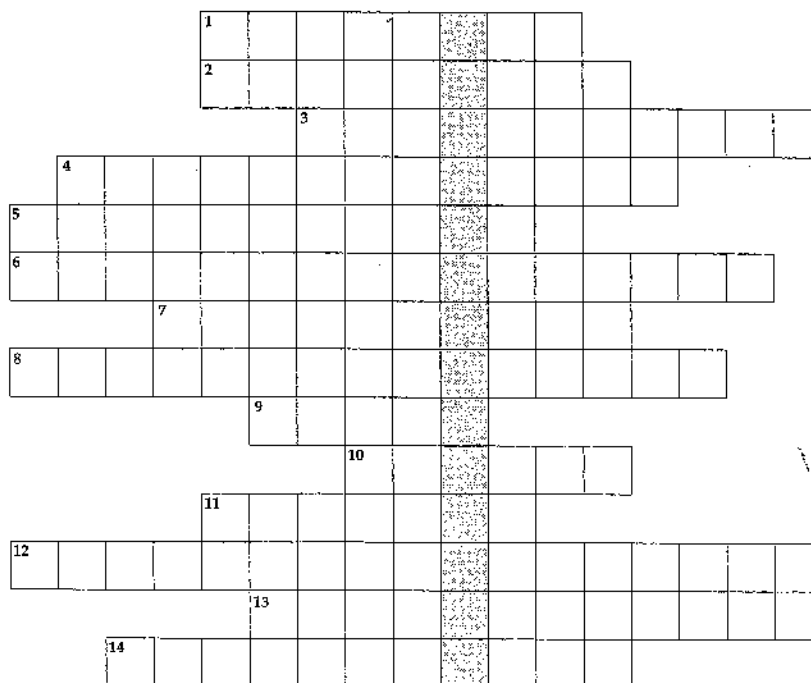
# Content Vocabulary Activity

shareholder  
(a. 1828): one  
who has a part in  
ownership; esp.: ST

## CHAPTER 6: PRICES AND DECISION MAKING

**Directions:** Fill in the term for each definition listed below, writing one letter in each box. Use the letters in the highlighted boxes to answer the question that follows.

1. when the quantity demanded is greater than the quantity supplied
2. system under which a government agency decides fair shares
3. lowest legal amount that can be paid to workers
4. simplified version of behavior expressed as an equation or graph
5. ticket or receipt used to obtain a certain amount of a product
6. price at which there is neither a surplus nor a shortage of a product
7. lowest legal amount that can be paid for a good or a service
8. a loan that carries neither a penalty nor further obligation to repay if not paid back
9. monetary value of a product as expressed by supply and demand
10. partial refund of the original product price
11. when quantity supplied is greater than quantity demanded
12. check to make up the difference between actual market price and target price
13. maximum legal amount that can be charged for a product
14. floor amount set to stabilize farm prices



What does every seller like to see? \_\_\_\_\_

# QUIZ

## Chapter 6, Section 1

### PRICES AS SIGNALS

SCORE

**Matching:** Match each item in Column A with the items in Column B. Write the correct letters in the blanks. (10 points each)

#### A

- \_\_\_\_\_ 1. price
- \_\_\_\_\_ 2. price flexibility
- \_\_\_\_\_ 3. rationing
- \_\_\_\_\_ 4. rebate
- \_\_\_\_\_ 5. ration coupon

#### B

- a. system of allocating goods and services without prices
- b. allows the market economy to absorb unexpected shocks
- c. zero-interest financing offered to sell products
- d. certificate allowing the holder to receive a given amount of a product in limited supply
- e. the monetary value of a product as established by supply and demand
- f. a partial refund of the original price of a product

**Multiple Choice:** In the blank at the left, write the letter of the choice that best completes the statement or answers the question. (10 points each)

- \_\_\_\_\_ 6. Which of the following statements is true of *both* the price system and rationing?
  - a. They allocate resources.
  - b. They have administrative costs.
  - c. They are never viewed as unfair.
  - d. They have a negative impact on the incentive to produce.
- \_\_\_\_\_ 7. The price system favors
  - a. the producer over the consumer.
  - b. the consumer over the producer.
  - c. neither the consumer nor the producer.
  - d. the government over both consumers and producers.
- \_\_\_\_\_ 8. In a market economy, a high price is a signal for producers to produce
  - a. more and buyers to buy less.
  - b. more and buyers to buy more.
  - c. less and buyers to buy less.
  - d. less and buyers to buy more.
- \_\_\_\_\_ 9. In a market economy, a low price is a signal for producers to produce
  - a. more and buyers to buy less.
  - b. more and buyers to buy more.
  - c. less and buyers to buy less.
  - d. less and buyers to buy more.
- \_\_\_\_\_ 10. Economists think of prices as a "system" because
  - a. they link all markets in an economy.
  - b. they convey information to the government.
  - c. they convey information to other countries.
  - d. they make rationing necessary at times.

**Q U I Z****Chapter 6, Section 2****THE PRICE SYSTEM AT WORK****SCORE**

**Matching:** Match each item in Column A with the items in Column B. Write the correct letters in the blanks. (10 points each)

**A**

- \_\_\_\_\_ 1. economic model
- \_\_\_\_\_ 2. market equilibrium
- \_\_\_\_\_ 3. surplus
- \_\_\_\_\_ 4. equilibrium price
- \_\_\_\_\_ 5. shortage

**B**

- a. a simplified version of a complex behavior expressed in the form of an equation, a graph, or an illustration
- b. the price at which neither a surplus nor a shortage of a product exists
- c. a situation in which the quantity supplied is equal to the quantity demanded
- d. a situation in which the quantity demanded is greater than the quantity supplied
- e. an item priced particularly low to attract customers
- f. a situation in which the quantity supplied is greater than the quantity demanded

**Multiple Choice:** In the blank at the left, write the letter of the choice that best completes the statement or answers the question. (10 points each)

- \_\_\_\_\_ 6. In a competitive market, the price adjustment process moves toward market
  - a. equilibrium.
  - b. surplus.
  - c. shortage.
  - d. model.
- \_\_\_\_\_ 7. If there is a shortage in a market, the price is likely to
  - a. increase.
  - b. decrease.
  - c. remain the same.
  - d. fluctuate.
- \_\_\_\_\_ 8. If there is a surplus in a market, the price is likely to
  - a. increase.
  - b. decrease.
  - c. remain the same.
  - d. fluctuate.
- \_\_\_\_\_ 9. Why do economists like competitive markets?
  - a. Competitive markets always keep prices low.
  - b. Competitive markets always keep wages high.
  - c. The price system is less flexible when markets are competitive.
  - d. The price system is more efficient when markets are competitive.
- \_\_\_\_\_ 10. An economic model
  - a. can be used to analyze behavior but not predict outcomes.
  - b. can be used to predict outcomes but not analyze behavior.
  - c. can be used to analyze behavior and predict outcomes.
  - d. is usually so complex that it can be understood only by economists.

# QUIZ

## Chapter 6, Section 3

### SOCIAL GOALS AND MARKET EFFICIENCY

SCORE

**Matching:** Match each item in Column A with the items in Column B. Write the correct letters in the blanks. (10 points each)

#### A

- \_\_\_\_\_ 1. price ceiling
- \_\_\_\_\_ 2. price floor
- \_\_\_\_\_ 3. target price
- \_\_\_\_\_ 4. nonrecourse loan
- \_\_\_\_\_ 5. deficiency payment

#### B

- a. a check sent to producers that makes up the difference between the actual market price and the target price
- b. the lowest legal price that can be paid for a product
- c. price floor to stabilize farm prices
- d. carries neither a penalty nor further obligation to repay if not paid back
- e. a maximum legal price that can be charged for a product
- f. partial refund of the original price of a product

**Multiple Choice:** In the blank at the left, write the letter of the choice that best completes the statement or answers the question. (10 points each)

- \_\_\_\_\_ 6. Which of the following is an example of a price ceiling?
  - a. minimum wage
  - b. "free lunch" program
  - c. rent control
  - d. government subsidies
- \_\_\_\_\_ 7. Price ceilings that are artificially low are likely to create
  - a. a price floor.
  - b. a surplus.
  - c. an equilibrium.
  - d. a shortage.
- \_\_\_\_\_ 8. Price floors that are artificially high are likely to create
  - a. a price ceiling.
  - b. a surplus.
  - c. an equilibrium.
  - d. a shortage.
- \_\_\_\_\_ 9. Why might a government interfere in a market economy by setting prices?
  - a. to achieve the goals of equity and security
  - b. to ensure an entrepreneur's profit
  - c. to distort market outcomes
  - d. to allow the price system to transmit accurate information
- \_\_\_\_\_ 10. What is meant by the phrase "markets talk"?
  - a. Market changes are written about in newspapers and magazines.
  - b. Government officials base decisions on the stock market.
  - c. Businesspeople rely on good communication to conduct business.
  - d. Changes in market prices reflect the thoughts and feelings of buyers and sellers.