

Review Content Vocabulary

1. Write a short paragraph about demand using all of the following terms.

law of demand	demand curve
quantity demanded	price elasticity of demand
law of diminishing marginal utility	

2. Write a short paragraph about supply using all of the following terms.

law of supply	shortage
law of diminishing returns	equilibrium price
supply curve	surplus

Review Academic Vocabulary

Choose the term that best completes each sentence below.

analysis	Incentive
alternate	Impose
visual	assume
concept	eliminate
specific	

- Choice is a basic _____ in economics.
- In a market economy, producers and consumers _____ that the market generally will take care of itself.
- A demand schedule shows the quantities of a good or service that will be demanded at _____ prices.
- Opening a business requires careful _____ of the market of your potential product or service.
- If the government should _____ more taxes, businesses will supply less at all prices because the cost of production will rise.
- In the case of supply, the higher the price of a good, the greater the _____ is for a producer to produce more.

- If the price of your favorite soft drink goes up, you may choose to purchase an _____ brand.
- If a surplus exists in the marketplace, a movement toward the equilibrium price will _____ the surplus.
- A demand schedule shows data about prices and quantities demanded in a _____ way.

Review the Main Ideas

Section 1 (pp. 169–175)

- What is the basis of most activity in a market economy?
- What generally happens to quantity demanded when the price of a good goes up (and other prices stay the same)?

Section 2 (pp. 177–185)

- What is the distinction between elastic and inelastic demand?
- If income and population increase, what tends to happen to demand curves? (pp. 186–193)

Section 3 (pp. 186–193)

- When the price of an item goes up, do suppliers tend to produce more or less of the item? Why?
- What would an increase in taxes do to the position of the supply curve?

Section 4 (pp. 194–199)

- If the price of a product is above its equilibrium price, what is the result?
- Complete the graphic organizer by listing how producers and consumers act during surpluses and shortages.

	Producers	Consumers
Surpluses		
Shortages		

Self-Check Quiz Visit the *Economics Today and Tomorrow* Web site at glencoe.com and click on **Chapter 7—Self-Check Quizzes** to assess your knowledge of chapter content.

Math Practice

20. **Using Graphs** Nancy, the owner of a small café, is trying to set a price for the new sandwich she is offering. In order to do so, she wants to find the equilibrium price. She collects information on how many sandwiches she can expect to sell at different prices. Using the information below, create a graph of the supply and demand curves. Use the graph in **Figure 7.10** on page 195 as an example. After you have created the graph, determine the equilibrium price of the new sandwich.

Nancy's Sandwiches		
Quantity Demanded	Price	Quantity Supplied
1	\$8.00	8
2	\$7.50	7
3	\$7.00	6
4	\$6.50	5
5	\$6.00	4
6	\$5.50	3
7	\$5.00	2
8	\$4.50	1

Critical Thinking

21. **The BIG IDEAS** Some prices in the American economy almost never change, whereas others change all the time, even daily. Make a list of products whose prices change slowly, if at all. Make another list of products whose prices change quickly. Finally, write a short paragraph summarizing why prices change slowly or quickly for various products.
22. **Making Predictions** How do you think the market demand curve for pizza would be affected by (1) an increase in everyone's pay, (2) a successful pizza advertising campaign, (3) a decrease in the price of hamburgers, and (4) new people moving into the community? Explain your answers.
23. **Making Comparisons** How do you think the price elasticity of demand for DVDs compares to that of insulin needed by diabetics? Why?

Analyzing Visuals

24. Study the cartoon on the right, and then answer the following questions.
- According to the cartoon, why has demand for movies dropped?
 - What other reasons could there be for fewer people going to see the movies?
 - If demand for movies continues to drop, how will movie producers most likely respond?

