

Chapter 6 Study Guide

Equilibrium:

Disequilibrium:

Price ceiling:

Price floor:

Rent control:

Minimum wage:

Surplus:

Shortage:

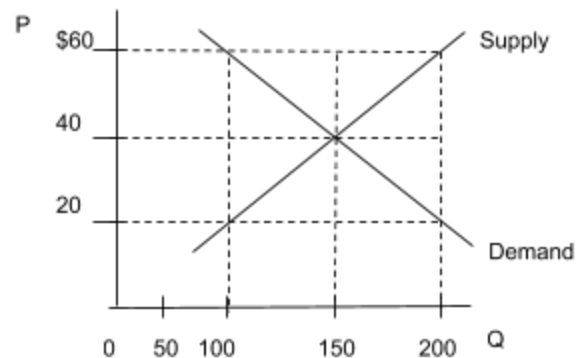
Supply shock:

Rationing:

Black market:

Spillover cost:

1. How is equilibrium shown on a supply and demand graph?
2. What are the two outcomes of disequilibrium?
3. What market conditions occur to create excess demand?
4. How will suppliers react to excess demand?
5. What market conditions occur to create excess supply?
6. Under what condition will market forces push the market towards the equilibrium?
7. Using the graph, answer the following questions.
 - a. What is the equilibrium price?
 - b. How much will be supplied at the equilibrium price?
 - c. At the price of \$20, what situation exists in this market?
 - d. At a price of \$60, what situation exists in this market?



8. How does minimum wage affect the labor market?
9. How do prices act as signals?
10. Why do suppliers use price rather than production to resolve the problem of excess demand?
11. What's the quickest way to resolve excess demand?
12. How does the black market affect the economy?
13. What was Adam Smith's main point discussed within his book The Wealth of Nations?