

Activity 3

Complete the Word Bank. Read each sentence, select a word from the word bank that correctly completes the sentence. Words may be used more than once.

Word Bank

goes up goes down substitute quantity demanded
market clearing price quantity supplied equilibrium price
surplus incomes shortage

1. The law of demand states that as price goes up, the quantity demanded _____ and that as price goes down the quantity demanded _____.
2. The _____ is the price at which quantity demanded equals quantity supplied.
3. The _____ is how much producers are willing and able to supply at a certain price.
4. The law of supply states that as price _____, quantity supplied goes up and as price _____, quantity supplied goes down.
5. The amount buyers are willing and able to buy at a certain price is called _____.
6. When quantity demanded is greater than quantity supplied a _____ occurs.
7. A _____ occurs when the quantity demanded is less than the quantity supplied.
8. Consumers are willing to buy more at lower prices than at higher prices because price decreases are similar to raises in _____.
9. As the price of a product decreases, that product becomes cheaper relative to other goods and services. As the price of a product drops, consumers tend to _____ relatively cheaper products for relatively more expensive products.