

GUIDED READING Activity 7-1

For use with textbook pages 169–175

D EMAND

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** _____.

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. _____