## Review Questions

12.

What determines the level of prices in a market?

13.

What does a downward-sloping demand curve mean about how buyers in a market will react to a higher price?

14.

Will demand curves have the same exact shape in all markets? If not, how will they differ?

15.

Will supply curves have the same shape in all markets? If not, how will they differ?

16.

What is the relationship between quantity demanded and quantity supplied at equilibrium? What is the relationship when there is a shortage? What is the relationship when there is a surplus?

17.

How can you locate the equilibrium point on a demand and supply graph?

18.

If the price is above the equilibrium level, would you predict a surplus or a shortage? If the price is below the equilibrium level, would you predict a surplus or a shortage? Why?

19.

When the price is above the equilibrium, explain how market forces move the market price to equilibrium. Do the same when the price is below the equilibrium.

20.

What is the difference between the demand and the quantity demanded of a product, say milk? Explain in words and show the difference on a graph with a demand curve for milk.

21.

What is the difference between the supply and the quantity supplied of a product, say milk? Explain in words and show the difference on a graph with the supply curve for milk.

22.

When analyzing a market, how do economists deal with the problem that many factors that affect the market are changing at the same time?

23.

Name some factors that can cause a shift in the demand curve in markets for goods and services.

24.

Name some factors that can cause a shift in the supply curve in markets for goods and services.

25.

How does one analyze a market where both demand and supply shift?

26.

What causes a movement along the demand curve? What causes a movement along the supply curve?

27.

Does a price ceiling attempt to make a price higher or lower?

28.

How does a price ceiling set below the equilibrium level affect quantity demanded and quantity supplied?

29.

Does a price floor attempt to make a price higher or lower?

30.

How does a price floor set above the equilibrium level affect quantity demanded and quantity supplied?

31.

What is consumer surplus? How is it illustrated on a demand and supply diagram?

32.

What is producer surplus? How is it illustrated on a demand and supply diagram?

33.

What is total surplus? How is it illustrated on a demand and supply diagram?

34.

What is the relationship between total surplus and economic efficiency?

35.

What is deadweight loss?