

# Guided Reading Activity

## Prices

### Lesson 2 *The Effects of Prices*

#### Review Questions

**Directions:** Read each main idea and complete the statements below. Refer to your textbook as you write the answers.

#### A. How Prices Adjust

**Main Idea:** Market prices adjust, or change, in response to changes in supply and demand. These price changes also change the incentives for buying or not buying a product.

1. In a \_\_\_\_\_ economy, economic transactions are \_\_\_\_\_ and represent a compromise between a buyer and a seller.
2. On a supply and demand curve, the \_\_\_\_\_ price represents a situation in which the quantity supplied is equal to the quantity \_\_\_\_\_.
3. When too much of a product is made, there is a \_\_\_\_\_ that tends to make the price of the product \_\_\_\_\_.
4. When there is too little of a product to meet demand, the resulting \_\_\_\_\_ leads to an \_\_\_\_\_ in price.

#### B. Why Prices Change

**Main Idea:** Factors such as weather, natural disasters, the state of the economy, consumer confidence, and others affect supply and demand and may cause prices to change.

1. The weather is a key factor that may change the supply of \_\_\_\_\_ products, whose prices may \_\_\_\_\_ if the weather is unfavorable.
2. A natural disaster may severely lower the supply of a natural resource that is in high \_\_\_\_\_, and this causes the \_\_\_\_\_ of that resource to increase dramatically.

## Guided Reading Activity *cont.*

### Prices

- 3. The \_\_\_\_\_ system is more efficient when markets are \_\_\_\_\_.
  
- 4. The free market and competition are aided by \_\_\_\_\_, which limits monopolies and ensures the safety of consumer goods.
  
- 5. Competition in the \_\_\_\_\_ ensures that resources are allocated \_\_\_\_\_.

### Summary and Reflection

**Directions:** Summarize the main ideas of the lesson by answering the questions below.

As the world population grows, so will the demand for more resources and consumer goods. What do you think will happen to the price of resources that are in limited supply, such as gasoline or some types of metal? What might individuals, businesses, and governments do to try to raise people’s standard of living while keeping prices at reasonable (and affordable) levels?

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