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Section 2: Guided Reading and Review

Changes in Market Equilibrium

A. As You Read

As you read Section 2, complete the chart by supplying an effect for each cause.

Cause	Effect
1. Entire supply curve shifts.	1.
2. Technology for making compact disc (CD) players improved.	2.
3. After a drop in production cost, CD player suppliers become willing to offer 1,200,000 units at the original price, but demand remains at 1,000,000.	3.
4. Price of CD players continues to fall.	4.
5. Production cost of CD players continues to fall.	5.
6. Market's supply curve shifts to the left.	6. In the market: On the equilibrium point:
7. Demand curve of a good suddenly shifts right.	7.
8. Signs of excess demand for the good continue over time.	8. On suppliers:
9. Demand for a good falls.	9. On the demand curve:

B. Reviewing Key Terms

Rev	write each sentence so that the italicized term is used correctly.
10.	Shortage occurs when the quantity demanded falls below the quantity supplied.
11.	Excess demand for a good indicates a market <i>surplus</i> of that good.
12.	Suppliers pay <i>search costs</i> in the form of financial and opportunity costs as they search for
	a good.