

Disequilibrium	Describes any price or quantity not at equilibrium when quantity supplied is not equal to quantity demanded in a market.
Equilibrium	The point at which quantity demanded and quantity supplied are equal.
Excess demand	When quantity demanded is more than quantity supplied.
Excess supply	When quantity supplied is more than quantity demanded.
Minimum wage	A minimum price that an employer can pay a worker for an hour of labor
Price ceiling	A maximum price that can be legally charged for a good or service
Price floor	A minimum price for a good or service
Rationing	A system of allocating scarce goods and services using criteria other than price
Rent control	A price ceiling placed on rent
Search costs	The financial and opportunity costs consumers pay when searching for a good or service

Shortage

Situation in which quantity demanded is greater than quantity supplied

Spillover costs

Costs of production that affect people who have no control over how much of a good is produced

Supply shock

A sudden shortage of a good

Surplus

Situation in which quantity supplied is greater than quantity demanded

The government's price floor on low wages is called the

- a. base wage rate
- b. employment guarantee
- c. minimum wage
- d. market equilibrium

c. minimum wage.

What happens when any market is in disequilibrium and prices are flexible?

- a. unsold perishable goods are thrown out
- b. sellers waste their resources
- c. excess demand is created
- d. market forces push toward equilibrium

d. market forces push toward equilibrium.

What prompts efficient resource allocation in a well-functioning market system?

- a. government regulation
- b. the need to buy goods regardless of price
- c. the need for fair allocation of resources
- d. businesses working to earn a profit

d. businesses working to earn a profit.

How do price changes affect equilibrium?

- a. Price changes assist the centrally planned economy.
- b. Price changes serve as a tool for distributing goods and services.
- c. Price changes limit all markets to people who have the most money.
- d. Price changes prevent inflation or deflation from affecting the supply of goods.

b. Price changes serve as a tool for distributing goods and services.