Chapter 6 Section 1

Prices as Signals

In what ways are prices a signal in a market system?

What do low prices signal to producers and buyers?

What do high prices signal for producers and buyers?

Why does your text say that prices are **“neutral”**?

Why does your text say that prices are **flexible**?

What happened to the prices of personal computers over time? Why did this happen?

What does your text mean when it says, “ prices have no cost of administration?”

Describe **rationing** as an alternative to prices, as a way of distributing goods and services.

List the three problems with **rationing**, according to your text:

1.

2.

3.

Chapter 6 Section 2

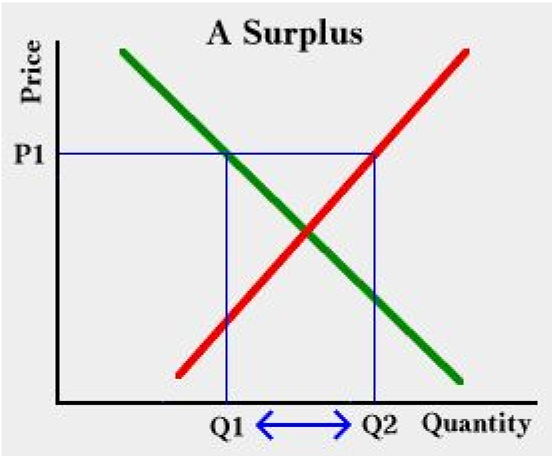
The Price System At Work

How does your textbook describe the market equilibrium?

Where on the supply and demand curve does the market equilibrium occur?

How is surplus defined?

How is shortage defined?



Is the price above or below the equilibrium price, which causes a surplus of products? Why is this?

Is the price above or below the equilibrium price, which causes a shortage of products? Why is this?