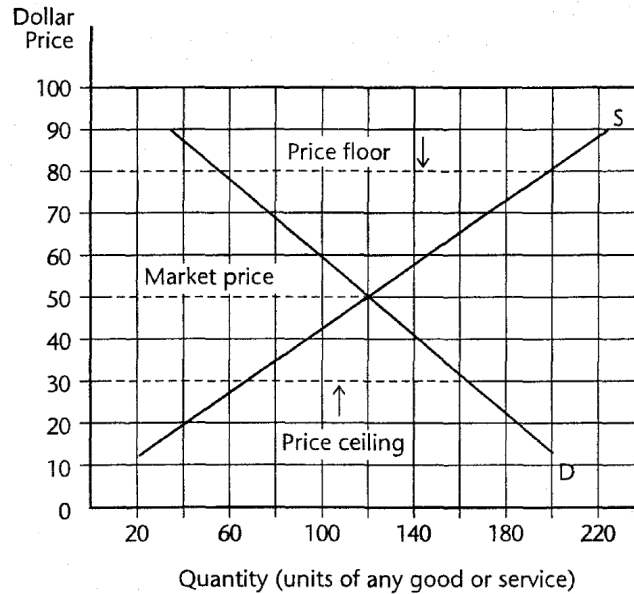


A Price Floor and Ceiling



Price floors and ceilings can be plotted with supply and demand curves. Use the chart to answer the questions. Fill in the answer blanks or cross out the incorrect words in parentheses.

1) Market Price

a) What is the Market Price? _____

b) What is the Quantity Demanded at the Market Price? _____

c) What is the Quantity Supplied at the Market Price? _____

2) Below Market Price

a) What is the Quantity Demanded if the government passes a law requiring the price to be no higher than \$30? _____

b) What is the Quantity Supplied if the government passes a law requiring the price to be no higher than \$30? _____

c) There is a (shortage / surplus) of _____ units at \$30.

d) When the government passes a law requiring the maximum price to be below the market price it is a (price floor / price ceiling).

e) What is a real-life example of this situation.

3) Above Market Price

a) What is the Quantity Demanded if the government passes a law requiring the price to be no lower than \$80? _____

b) What is the Quantity Supplied if the government passes a law requiring the price to be no lower than \$80? _____

c) There is a (shortage / surplus) of _____ units at \$80.

d) When the government passes a law requiring the minimum price to be above the market price it is a (price floor / price ceiling).

e) What is a real-life example of this situation.