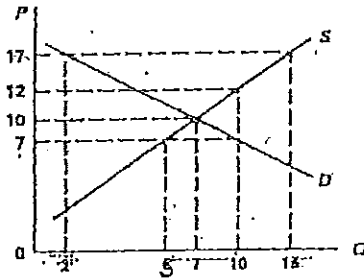


## PRICE CEILINGS AND FLOORS

Use the graph below to answer questions 1-5:



CHEESE

1. What is the equilibrium price and quantity for cheese? \_\_\_\_\_
2. If the price of cheese was \$7, what would be the result?  
 A shortage or a surplus? \_\_\_\_\_ of how much? \_\_\_\_\_
3. If the price of cheese was set at \$17, what would be the result?  
 A shortage or a surplus? \_\_\_\_\_ of how much? \_\_\_\_\_
4. If the Federal government imposed a price support of \$17 (the price of cheese could not fall below this amount), what this be an effective price ceiling or a price floor?  
 \_\_\_\_\_
5. Would this \$17 price support be an attempt to help the farmer or the consumer?  
 \_\_\_\_\_

6. Draw a graph, showing a market for unskilled (or low-skilled) labor in equilibrium at the current minimum wage level of \$7.25. Label both curves, both axes, and the market.

7. If the minimum wage were raised to \$9.00 an hour, would this cause a surplus or shortage of low-skilled labor in the marketplace? \_\_\_\_\_

Show the effect of this new minimum wage on the graph above.

8. Would this new minimum wage law be an example of an effective price ceiling or a price floor? \_\_\_\_\_

9. If the government created a law stating that gasoline prices could not rise above \$1.50 a gallon, would this be a price ceiling or floor? \_\_\_\_\_

10. Are price ceilings designed to help the producer or the consumer? \_\_\_\_\_

11. If the price ceiling is set below the market price, would this cause a surplus or a shortage of gasoline? \_\_\_\_\_