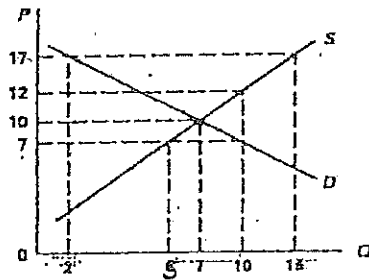


PRICE CEILINGS AND FLOORS

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? _____

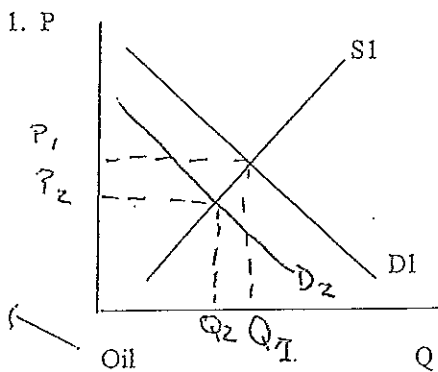
11. If the price ceiling is set below the market price, would this cause a surplus or a shortage of gasoline? _____

ANALYZING THE EFFECT OF SUPPLY OR DEMAND CHANGES

For each situation below, draw the effect of the change on the graph and label your new curve D2 or S2. Show Q_1 , P_1 , and Q_2 , P_2 , and indicate with arrows along the axis the directional changes.

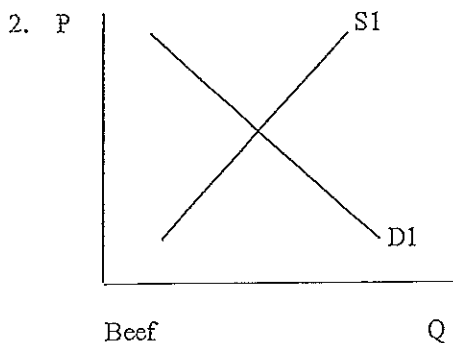
Market

Change

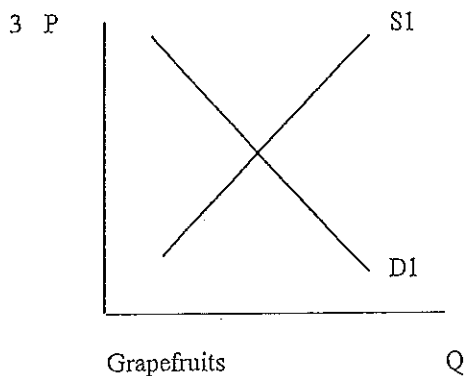


few
at price
price
shifts
and
demand changes

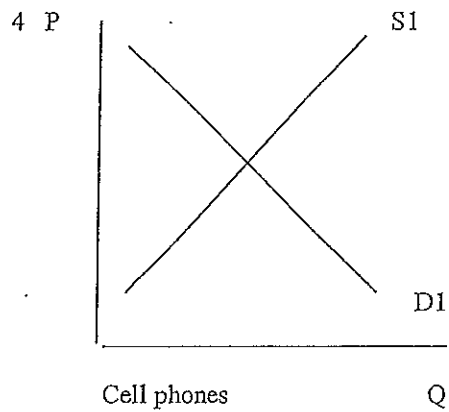
Many countries are experiencing recessions, causing decreased demand for energy. - Change in demand curve



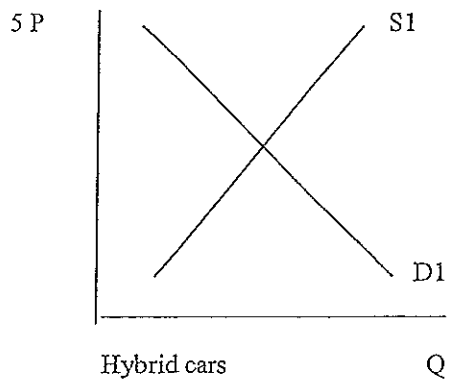
Chicken goes down in price.



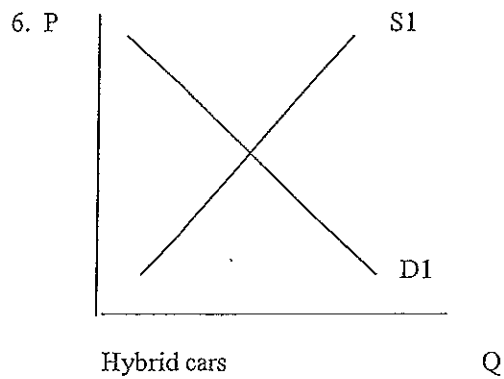
Frost kills a large part of the crop.



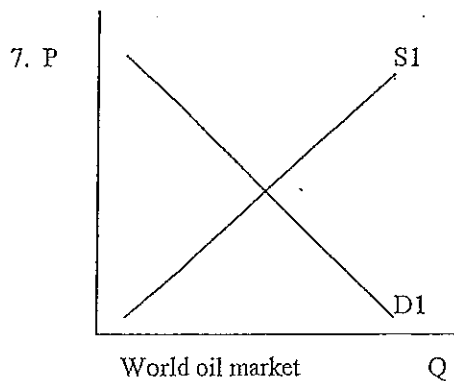
New technology allows cheaper production of cell phones.



Gasoline prices surge to \$5.00 a gallon.



More car companies begin to manufacture hybrid cars.



As their countries' economies grow, more families in China and India are entering the middle class.