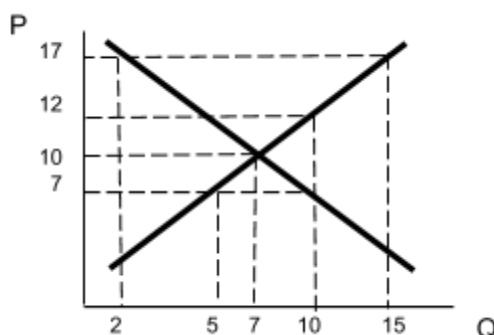


PRICE CEILINGS & FLOORS

Use the graph below to answer questions 1-5:



- What is the equilibrium price and quantity for cheese? _____
- If the price of cheese was \$7, what would be the result?
 - A shortage or a surplus? _____
 - How much? _____
- If the price of cheese was set at \$17, what would be the result?
 - A shortage or a surplus? _____
 - How much? _____
- 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? _____
- Would this \$17 price support be an attempt to help the farmer or the consumer? _____
- 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.



- 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.
- Would this new minimum wage law be an example of an effective price ceiling or a price floor? _____
- 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? _____
- Are price ceilings designed to help the producer or the consumer? _____
- If the price ceiling is set below the market price, would this cause a surplus or a shortage of gasoline? _____