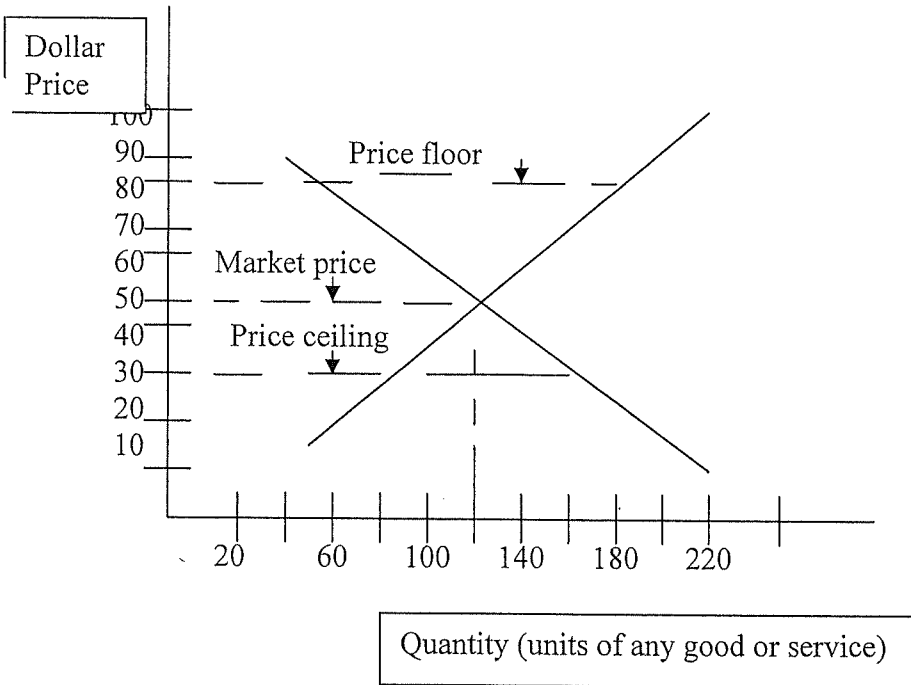


## Price Floors and Ceilings Practice



1. What is the market price of the product/service in the above market?

# 50

2. What quantity is demanded and what quantity is supplied at the market price?

Quantity demanded 120  
Quantity supplied 120

3. What quantity is demanded and what quantity is supplied if the government passes a law requiring the price to be \$30?

Quantity demanded 160  
Quantity supplied 80

4. What quantity would be demanded and what quantity would be supplied if the government passes a law requiring the price to be \$80?

Quantity demanded 60  
Quantity supplied 180

5. An example of a price ceiling is

- a. rent control      b. minimum wage      c. both a and b      d. neither a nor b

6. A price ceiling will result in \_\_\_\_\_ of supply when it is \_\_\_\_\_ market equilibrium.

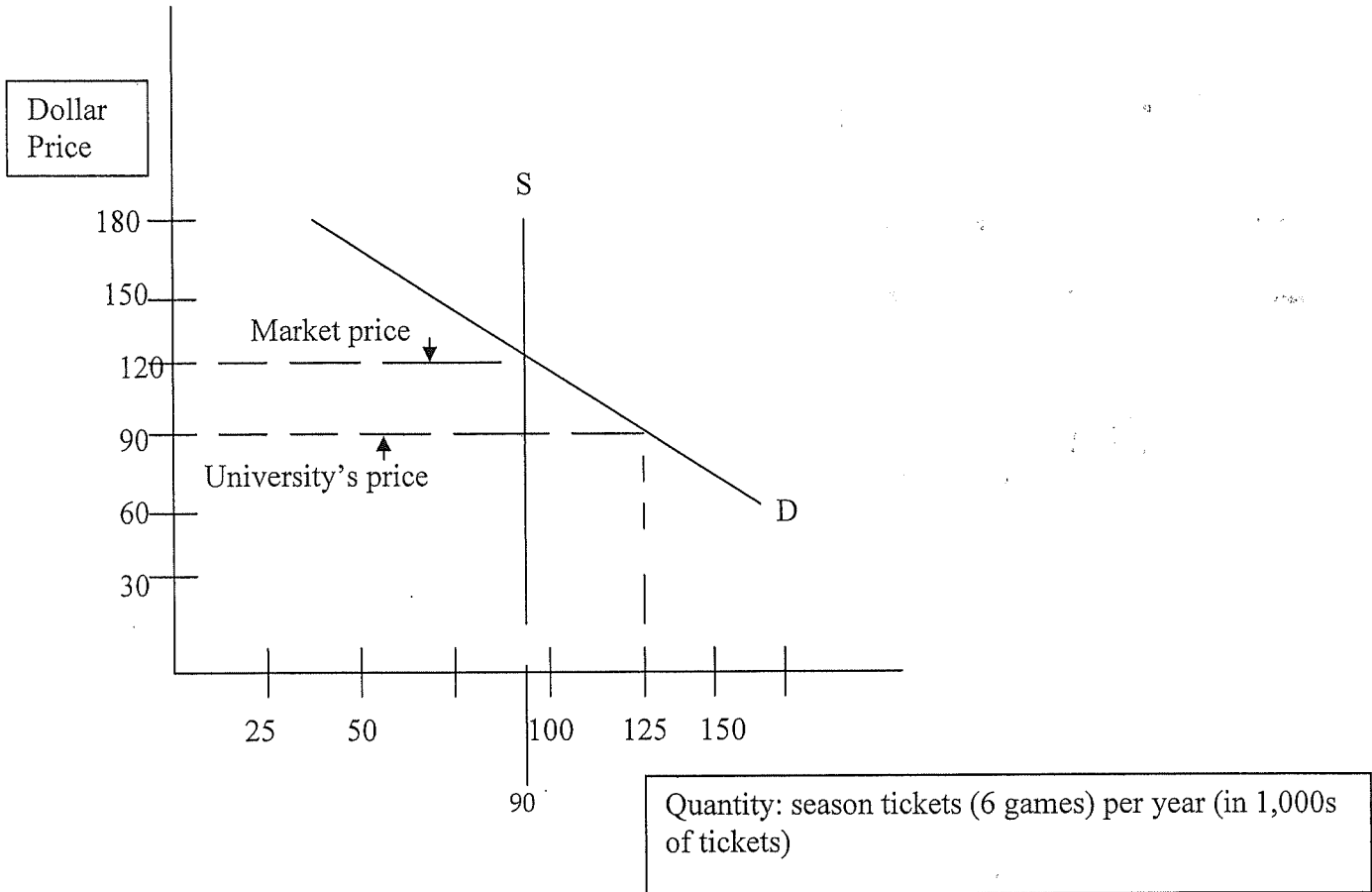
- a. surplus, above      b. surplus, below      c. shortage, above      d. shortage, below

7. A price floor is only noticeable in the marketplace when

- a. It is set below equilibrium price      b. It is set at equilibrium price      c. It is set above equilibrium price

## Big Football University

Assume the university has set the price of a season ticket to \$90. It will take action against people who discover reselling tickets at a higher price, that is, it will try to prevent "black market" or "scalper" sales (sales above \$90).



1. Answer these questions on the basis of the information in the graph:
  - a. Why is the supply curve a vertical line? A stadium has a fixed number of seats
  - b. How many tickets are available at the university's price? 90,000
  - c. How many tickets do football fans wish to buy at the university's price? 125,000
  - d. What is the problem with respect to quantity supplied and quantity demanded? shortage
  - e. Does the graph illustrate a price floor or a price ceiling? price ceiling
  
2. Come up with two means of eliminating the shortage of tickets in order to prevent "black marketing" or "scalping" and evaluate each of your possible solutions by filling out the following chart: several possible

	Solution #1: <u>raise the price</u>	Solution #2: <u>add more seats to the stadium</u>
Who benefits from the solution?	<u>the university will make more revenue</u>	<u>more students can go at an affordable price</u>
Who is adversely affected by the solution?	<u>not affordable for some students</u>	<u>the university - it's costly to renovate</u>