

## Module 8 Price Controls (Ceilings and Floors)

**Discussion Question:** Do you think a cap (price ceiling) on tuition is a good idea?

Example of a price ceiling

Rent	Quantity Demanded	Quantity Supplied
\$1,400	1,000	2,000
1,200	1,100	1,500
1,000	1,200	1,200
800	1,500	1,000
600	1,800	750
400	2,100	600

What is the equilibrium price and quantity?

If a price ceiling of \$800 is set on apartment rentals, how much of a shortage is created?

**Discussion Question:** How much is the federal minimum wage? Do you think the minimum wage should be raised? Why or why not?

Example of a price floor:

Wage	Quantity of Labor demanded	Quantity of Labor supplied
\$6.75	300	500
6	400	400
5.75	500	300
5.5	550	200
5	600	100
4.75	650	50

What is the equilibrium wage rate?

If a price floor is set at \$6.75 (assume minimum wage), how much of a surplus of unemployed workers will be created?

