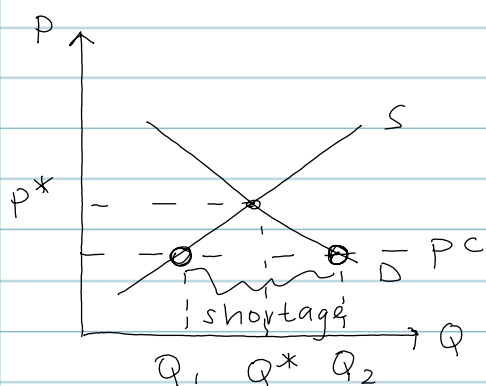


Economics

- price ceiling - producers can't charge above that price



Q. so, why is the price ceiling below equilibrium?

A. consumers will not pay above equilibrium price anyways

Q. will there be a shortage or surplus?

Q. can the price ceiling be above equilibrium?

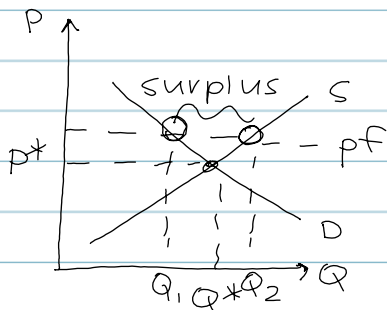
A. shortage

A. yes, but it will not have an effect on the economy

Why will there be a shortage?

- at such a low price, more consumers will want to buy, but less producers will want to sell
- Q_1 is where producers want to be
- Q_2 is where consumers want to be

- price floor - producers can't charge below this price



Q. So, why is the price floor above equilibrium price?

A. consumers will not need a law or policy to make them buy below equilibrium price, and producers will not sell

Q. will there be a surplus or shortage?

Q. can a price floor be below equilibrium price?

A. surplus

A. yes, but it will not have an effect on the economy

why will there be an economic surplus?

- at such a high price, consumers will not want to buy as many, but producers will want to sell more

- Q_1 is where consumers want to be

- Q_2 is where producers want to be