Economics

- Price ceiling: Producers can't change above that price

Q. So, why is the price ceiling below equilibrium?
A. Consumers will not pay above equilibrium price anyway.

Q. Can the price ceiling be above equilibrium?
A. Yes, but it will not have an effect on the economy.

Q. Will there be a shortage or surplus?
A. Shortage

Why will there be a shortage?
- At such a low price, more consumers will want to buy, but less producers will want to sell.
- Q1 is where producers want to be.
- Q2 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
- Q1 is where consumers want to be
- Q2 is where producers want to be