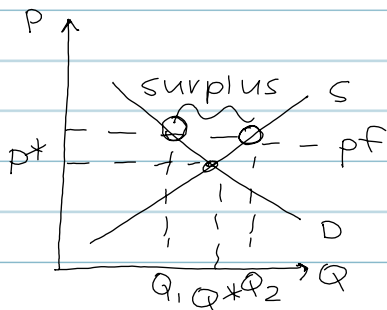


- price floor - producers can't charge below this price



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?

A. surplus

Q. can a price floor be below equilibrium price?

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