

Price Controls

Class Activity

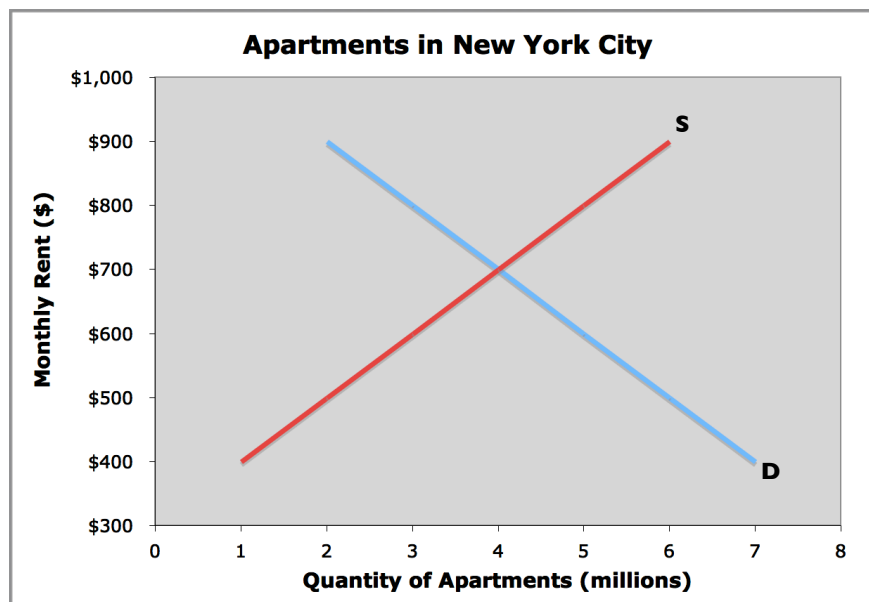
DIRECTIONS

Use the graph at the bottom of this page to answer the questions about the price controls for apartments in New York City. On the back side, use the graph to answer the questions about the price controls for corn.

A) APARTMENTS IN NEW YORK CITY

- 1) **At equilibrium, what is price, quantity demanded, and quantity supplied?**
 - a) Price: \$ _____
 - b) Quantity Demanded: _____
 - c) Quantity Supplied: _____
- 2) **Suppose the local government wants to pass a law to help control the price of rent. They set a new monthly rent price of \$600.**
 - a) What kind of price control is this?

PRICE CEILING
PRICE FLOOR
 - b) Draw it on the graph.
- 3) **At this new price, what is the quantity demanded and quantity supplied?**
 - a) New quantity demanded: _____
 - b) New quantity supplied: _____
- 4) **What is the difference between the new quantity demanded and the new quantity supplied?**
- 5) **Does this difference mean there is a shortage, or does it mean there is a surplus?**
- 6) **List two groups of people who might benefit from the price being set at \$600?**
- 7) **List two groups of people who might suffer from the price being set at \$600?**



B) MARKET FOR CORN

- 1) **At equilibrium, what is price, quantity demanded, and quantity supplied?**
 - a) Price: \$ _____
 - b) Quantity Demanded: _____
 - c) Quantity Supplied: _____

- 2) **Suppose the federal government wants to pass a law to help control the price of corn. They set a new price of \$8 per bushel.**
 - a) What kind of price control is this?

PRICE CEILING
PRICE FLOOR
 - b) Draw it on the graph.

- 3) **At this new price, what is the quantity demanded and quantity supplied?**
 - a) New quantity demanded: _____
 - b) New quantity supplied: _____

- 4) **What is the difference between the new quantity demanded and the new quantity supplied?**

- 5) **Does this difference mean there is a shortage, or does it mean there is a surplus?**

- 6) **List two groups of people who might benefit from the price being set at \$8?**

- 7) **List two groups of people who might suffer from the price being set at \$8?**

- 8) **If the government takes no action to enforce the price of \$8 per bushel, how will the free market likely solve the disequilibrium in the market for corn?**

