1. Define **“price ceiling”** and draw it on the demand – supply graph
2. Define **“price floor”** and draw it on the demand – supply graph
3. Why is a price floor above the equilibrium price? \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
4. Why do price floors lead to surpluses? \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
5. Why is a price ceiling below the equilibrium price? \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
6. Why do price ceilings lead to shortages? \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
7. Price ceilings are primarily targeted to help \_\_\_\_\_\_\_\_\_\_, while price floors generally benefit \_\_\_\_\_\_\_\_\_\_.
   1. producers; no one
   2. increase tax revenue for governments; producers
   3. increase tax revenue for governments; consumers
   4. producers; consumers
   5. consumers; producers
8. Price floors and price ceilings
   1. lead to the same prices and quantities that would be found in a competitive market
   2. lead to technical efficiency
   3. cause the demand curve to shift to the left
   4. usually result from government intervention
9. On the graph to the right, what is the equilibrium price? \_\_\_\_\_

P

1. What is the equilibrium quantity? \_\_\_\_\_\_\_\_

S

1. A price of $5 is a what? \_\_\_\_\_\_\_
2. What is greater at this price, QS or QD? \_\_\_\_\_\_\_\_

$10

1. What problem does this price cause? \_\_\_\_\_\_\_\_\_

$5

D

Q

10

30

20

1. On the graph to the right, what is the equilibrium price? \_\_\_\_\_

P

1. What is the equilibrium quantity? \_\_\_\_\_\_\_\_

$15

S

1. A price of $15 is a what? \_\_\_\_\_\_\_
2. What is greater at this price, QS or QD? \_\_\_\_\_\_\_\_

$7

1. What problem does this price cause? \_\_\_\_\_\_\_\_\_

D

50

30

15

Q