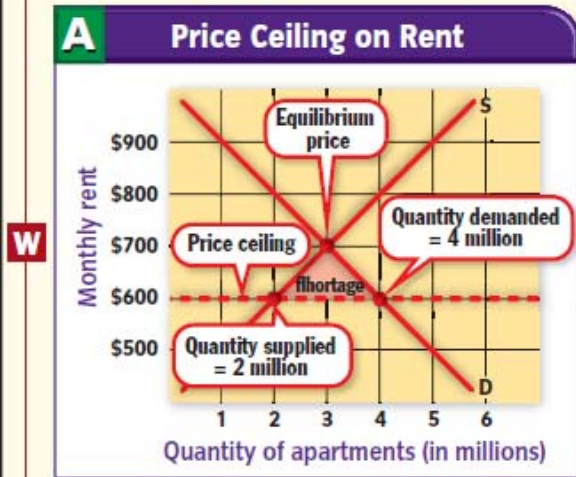


Figure 7.13 Price Ceilings and Price Floors

When the government gets involved in setting prices, price ceilings or price floors may result.

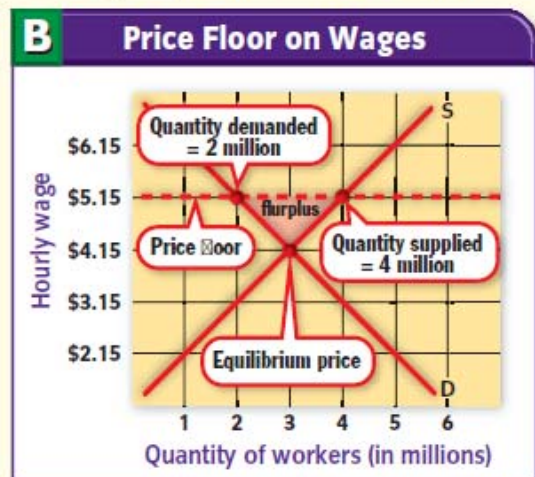


Graph A. Price Ceiling

More people would like to rent at the government-controlled price, but apartment owners are unwilling to build more rental units if they cannot charge higher rent. This results in a shortage of apartments to rent.

Graph B. Price Floor

A fast-food restaurant wants to hire students at \$4.15 an hour, but the government has set a minimum wage—a price floor—of \$5.15 an hour.



Economic Analysis

Using Graphs What is the surplus of workers when the hourly wage price floor is \$5.15?