Price Ceilings and Floors Infographic Activity ***(Updated 2023)***

Price Ceilings and Price Floors Infographic Activities

This infographic highlights the effect of government-imposed prices on markets.

Activity 1

Refer to the infographic, bit.ly/price-ceilings-floors, to answer the following questions.

1. Define market equilibrium.

2. Explain how market equilibrium is determined.

3. What happens to the market equilibrium if local, state, or federal government policies are enacted to create either a price ceiling or price floor?

4. Define price ceiling.

5. What is the relationship between the quantity demanded and the quantity supplied due to a government mandated price ceiling?

6. Define price floor.

7. What is the relationship between the quantity demanded and the quantity supplied due to a government mandated price floor?

8. Define nonbinding price ceiling.

9. Define nonbinding price floor.

10. What effect do nonbinding price ceilings and floors have on market equilibrium?

Activity 2

Use the chart below to answer questions 1 - 4. For each of the scenarios, write whether the price imposed creates a binding price floor, nonbinding price floor, binding price ceiling, or nonbinding price ceiling.

Hiking Boots

Price	Quantity Demanded	Quantity Supplied
$20	600	150
$30	500	200
$40	400	250
$50	300	300
$60	200	400
$70	100	500

To encourage more people to enjoy the great outdoors, the government considers making hiking more affordable by imposing a price ceiling on the price of hiking boots. In response, lobbyists for boot manufacturers consider legislation to impose a price floor on hiking boots in anticipation of the great outdoors campaign.

1. A minimum legal price of $20 is imposed. ________________________________

2. A maximum legal price of $30 is imposed. ________________________________

3. A minimum legal price of $60 is imposed. ________________________________

4. A maximum legal price of $70 is imposed. ________________________________

Activity 3

Using the data in the Hiking Boots chart, draw a graph—place the price on the Y axis and the quantity on the X axis—label the demand and supply curves and circle the equilibrium price and quantity in this market. Once completed, read the following scenarios and identify whether each scenario creates a binding price floor or a binding price ceiling. Circle whether it creates a shortage, surplus, or neither. If the price is nonbinding, write "NB."

Graph: Draw the demand and supply graph for hiking boots:

1. A maximum legal price of $25 is imposed. ______________________________
   Shortage **Surplus** **Neither**
2. A minimum legal price of $20 is imposed. ______________________________
   Shortage **Surplus** **Neither**
3. A maximum legal price of $50 is imposed. ______________________________
   Shortage **Surplus** **Neither**
4. A minimum legal price of $70 is imposed. ______________________________
   Shortage **Surplus** **Neither**