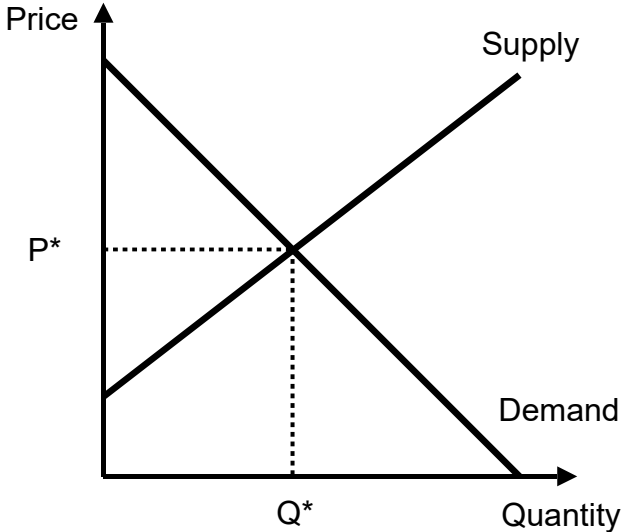


# Price Controls

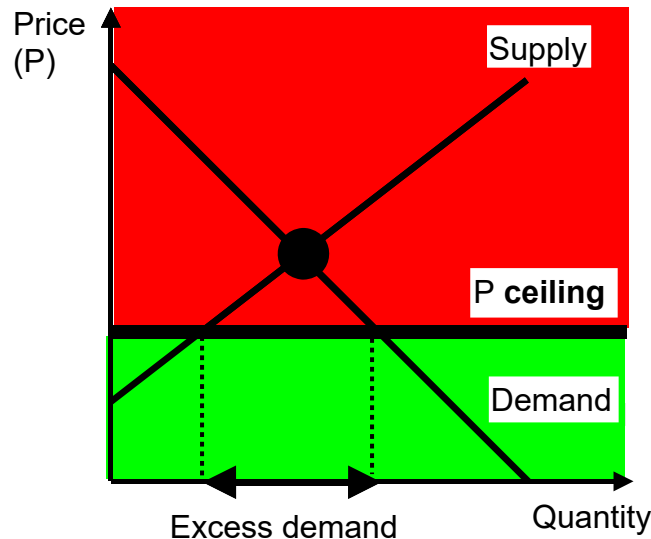
## 1 Market equilibrium: Prices and quantities by market forces



At the equilibrium point ( $P^*/Q^*$ ): Quantity supplied = Quantity demanded

## 2 Price controls by the government

### 21 Price ceiling

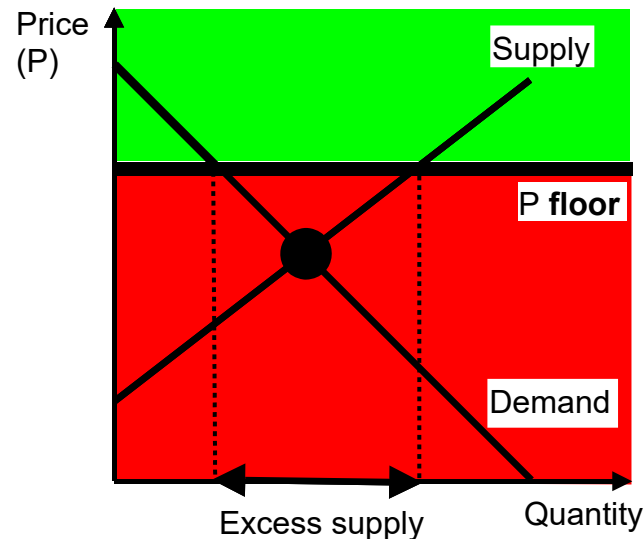


Quantity demanded > Quantity supplied

Example: Maximum rent (Price = Rent)  
(to 'benefit' the demand side)

Resulting in queues, shortages, black market

### 22 Price floor



Quantity supplied > Quantity demanded

Example: Minimum wage (Price = Wage)  
(to 'benefit' the supply side)

Resulting in unemployment