

Practice Questions #3
Principles of Microeconomics
Professor Hungerman

1. What happens to equilibrium supply and demand if a price floor is set below the equilibrium price?
2. What happens to producer surplus when a price ceiling (below the equilibrium price) is enacted? What happens to consumer surplus? Will there be a shortage or a surplus in the new equilibrium?
3. Suppose the minimum wage was *lowered*, and consider a labor market (so the “price” is the wage workers get paid) where the both the new and the old minimum wage act as a price floors above equilibrium price. Draw a graph of the labor market before and after the policy change. Illustrate how unemployment will change as a result of policy. What happens to consumer surplus? What happens to deadweight loss?
4. Suppose that supply is perfectly elastic, and demand is perfectly inelastic. Suppose that a price floor is set above equilibrium price. What will happen to producer surplus, consumer surplus, and the equilibrium price and quantity?
5. Consider the market for tickets for Notre Dame football games. Suppose there is a price ceiling in this market that is set below the equilibrium price. Is it possible for the resulting ticket prices charged by scalpers to exceed the original equilibrium ticket price?