Name _____ Date _____

Equilibrium Price: Shortages and Surpluses

Directions: Whenever a question includes the market table, read its quantities exactly. Each question changes only one market condition.

1. In an invented market with typical demand and supply, match each pricing situation to the market condition it produces at that price.

Write the letter of the matching answer on each line.

1. _____ The market price sits above the equilibrium price.
2. _____ The market price equals the equilibrium price.
3. _____ The market price sits below the equilibrium price.

A. A surplus (excess supply)
B. Neither a shortage nor a surplus
C. A shortage (excess demand)
D. A shift in the demand curve

2. During a summer festival, an invented city prohibits vendors from selling a bottle of water for more than $2. Which type of government regulation is this?

A. A subsidy paid to each vendor of bottled water
B. An excise tax collected on each bottle of water sold
C. A price ceiling, which establishes a legal maximum price
D. A price floor, which establishes a legal minimum price

A Bike Helmet Market

The table reports the monthly quantities of helmets that consumers intend to purchase and that producers intend to sell at each price. Base every answer in this set on those figures.

Monthly bike helmet market in a city

Price per helmet	Quantity demanded per month	Quantity supplied per month
$20	520	160
$25	480	240
$30	440	320
$35	400	400
$40	360	470
$45	320	530
$50	280	580

3. According to the table, what is the equilibrium price of a helmet in this market, measured in dollars?

_____ dollars

4. Suppose producers charge $25 per helmet. Which statement accurately describes market conditions at that price?

A. A shortage of 240 helmets per month
B. A surplus of 240 helmets per month
C. A shortage of 720 helmets per month
D. A shortage of 480 helmets per month

5. The price begins at $25, and no government regulation prevents it from adjusting. What happens next in this helmet market?

A. The price remains at $25, because consumers want more helmets than ever.
B. Consumers compete for the limited supply of helmets, so the price rises toward $35.
C. Producers cut the price, because they cannot sell their entire supply of helmets.
D. The demand curve shifts to the left until the shortage disappears entirely.

6. If producers charge $45 per helmet, how large is the resulting surplus, measured in helmets per month?

_____ helmets per month

7. The city government imposes a price ceiling of $30 per helmet. How large is the resulting shortage, measured in helmets per month?

_____ helmets per month

8. Suppose the city government imposes a price ceiling of $20 per helmet. How many helmets are actually purchased and sold each month at that price?

_____ helmets per month

9. Suppose the city government establishes a price floor of $50 per helmet. How large is the resulting surplus, measured in helmets per month?

_____ helmets per month

10. Suppose the city maintains a price ceiling of $30 per helmet for an entire year while every other market condition remains unchanged. What happens to the shortage during that year?

A. It turns into a surplus, because producers manufacture more helmets.
B. It persists, because the regulation prevents the price from rising to equilibrium.
C. It disappears, because the price eventually rises to $35.
D. It disappears, because consumers gradually lose interest in helmets.