GG PRESENTS

06 / / FRIDAY / / 2020 / / 75395100

TIMES OF ROCKFORD

PRICE FLOORING AND PRICE CEILING

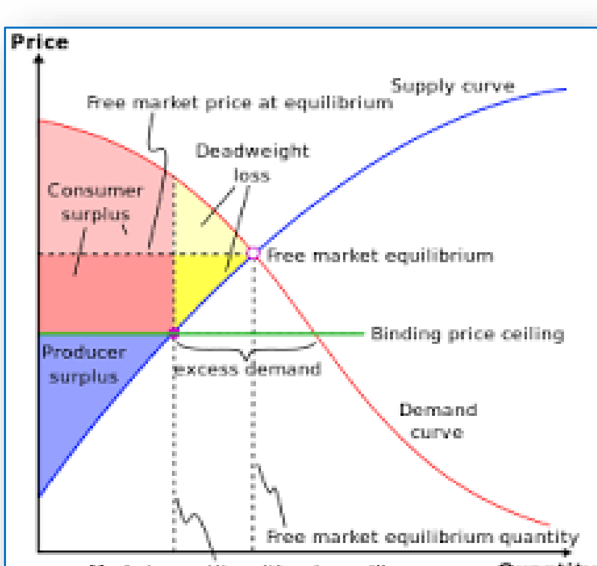
Here Government has to intervene in the process of price determination.

Img:1.1 This picture tells us that government does not see the Poverty Line but the business man does, Business man only controls how a person should be.

Government Takes Part

GIRI ON 05/11

The political direction and control exercised over the actions of the members, citizens, or inhabitants of communities, societies, and states direction of the affairs of a state, community, etc…Government is necessary to the existence of civilized society.



Img:1.2 Graph of Price Ceiling

PRICE CEILING

GIRI ON 05/11

A **Price Ceiling** keeps a price from rising above a certain level (the "ceiling"). A price ceiling is a legal maximum price that one pays for some good or service. A government imposes price ceilings in order to keep the price of some necessary good or service affordable. For example, in 2005 during Hurricane Katrina, the price of bottled water increased above $5 per gallon. As a result, many people called for price controls on bottled water to prevent the price from rising so high. In this particular case, the government did not impose a price ceiling.

For example: Let's consider the house-rent market. Here in the given graph, a price of Rs. 5 has been determined as the equilibrium price with the quantity at 50 homes. Now, the government determines a price ceiling of Rs. 4. At this rate there is a shortage (demand for 30 houses, but supply is for only 20 houses). In the long run, the extra 20 people will try to get a house on rent, which will eventually give rise to black market and higher rents.

KEYWORD

PRICE FLOORING

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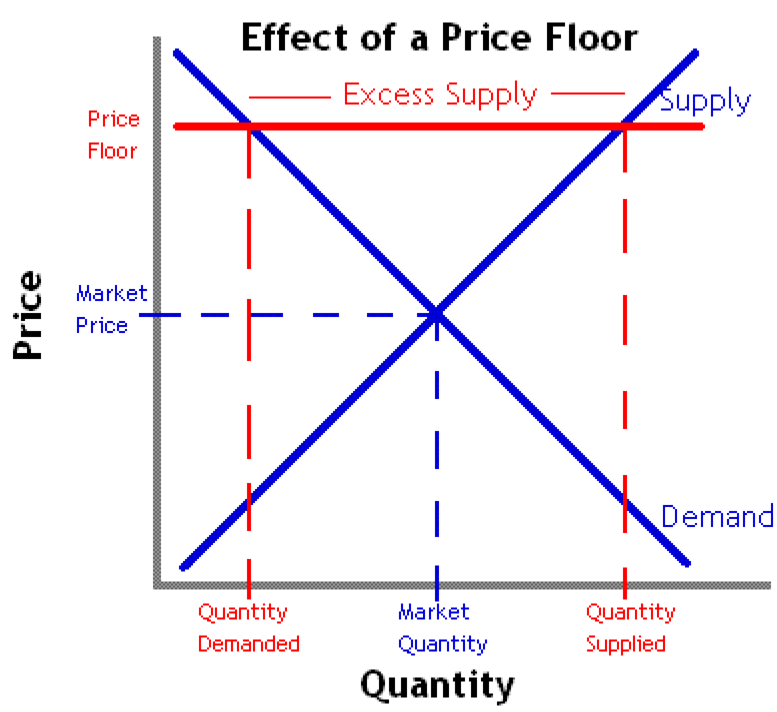
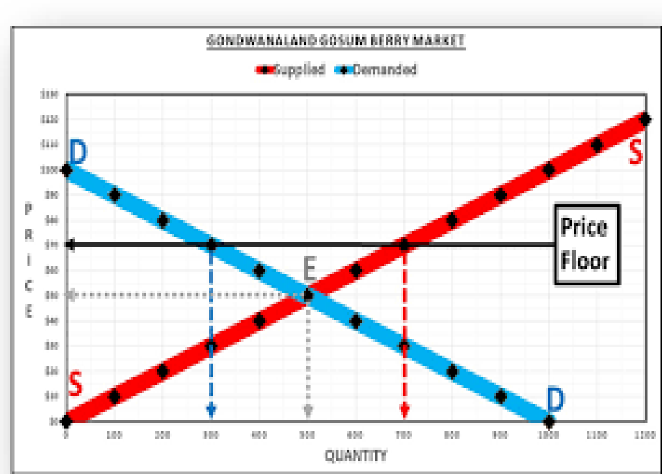
A price floor is the lowest legal price a commodity can be sold at. Price floors are used by the government to prevent prices from being too low. The most common price floor is the minimum wage--the minimum price that can be payed for labour. Price floors are also used often in agriculture to try to protect farmers.

For a price floor to be effective, it must be set above the equilibrium price. If it's not above equilibrium, then the market won't sell below equilibrium and the price floor will be irrelevant.
Using the example from above, the owner of Images Beauty Salon might not be able to charge $20 for a perm when the competing salons are charging $40-$60 each, if this means paying her employees less than minimum wage to make a profit.
The **minimum wage** is the price that employers pay for labour, and a common example of a price floor. The federal minimum wage is, as of 2015, $7.25 per hour; this is established by the Federal government and applied across the United States.



Img: 2.1 This Graph tells the effect of Price Floor



Img:2.2 This Graph shows the Demand Supplied

States have various, higher minimum wages, but paying an employee less than $7.25 an hour would be illegal. This price floor protects the employees from being exploited.

KEYWORD

PRICE FLOOR

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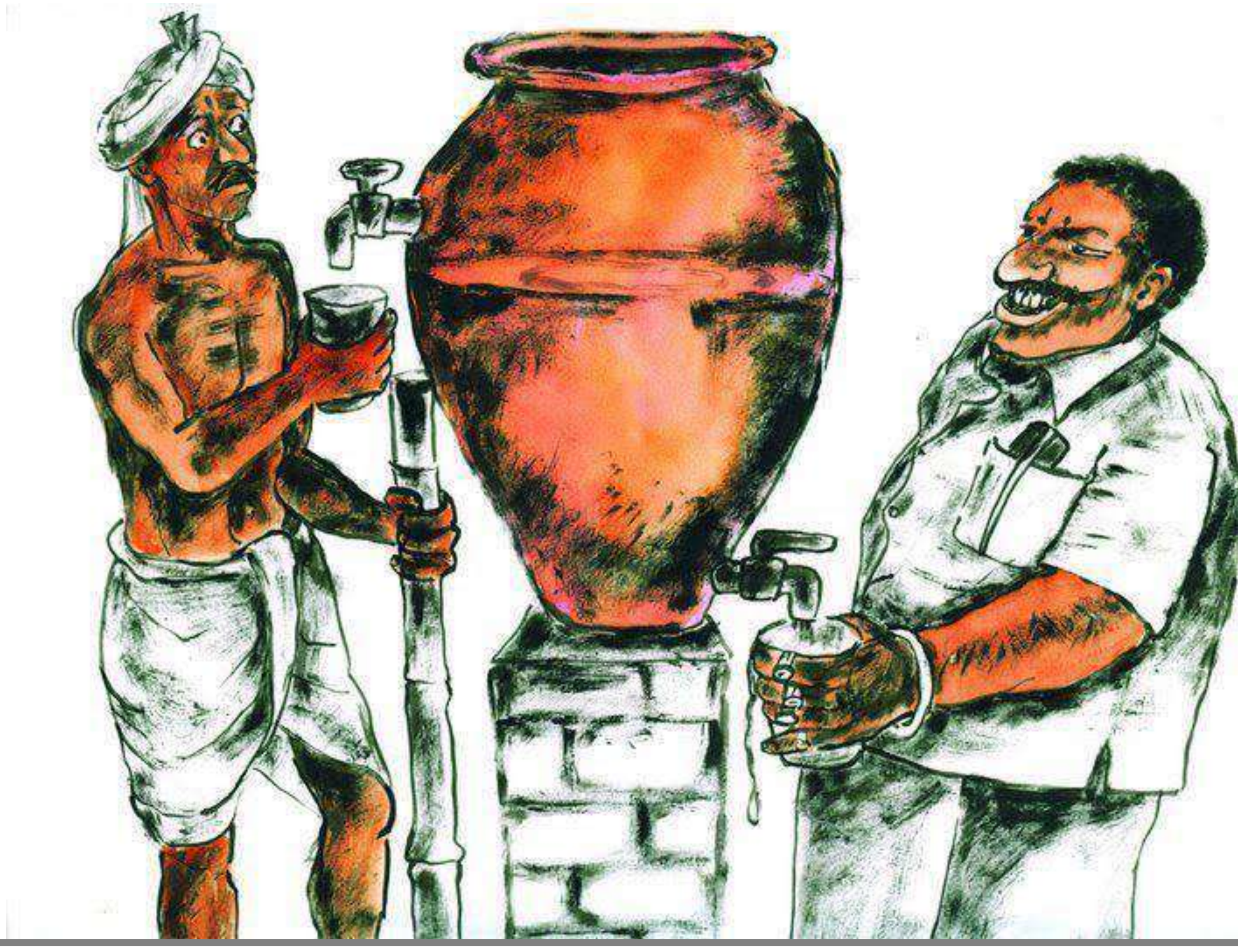
Price Floor keeps a price from falling below a certain level (the “floor”). **Price floor** is a situation when the **price** charged is more than or less than the equilibrium **price** determined by market forces of demand and supply. By observation, it has been found that lower **price floors** are ineffective. **Price floor** has been found to be of great importance in the labour-wage market.

-TIME OF ROCKFORD



IMG:3.1 THIS PICTURE TELLS ABOUT RICH IS FEASTING POOR

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Table 1. Rent Control

Price	Original Quantity Supplied	Original Quantity Demanded	New Quantity Demanded
$400	12,000	18,000	23,000
$500	15,000	15,000	19,000
$600	17,000	13,000	17,000
$700	19,000	11,000	15,000
$800	20,000	10,000	14,000

Img:3.2 (Interactive Graph). A Price Ceiling Example—Rent Control.

RENT CONTROL

An Example

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In the graphs above, we saw what happens when a rent control law is passed to keep the price at the original equilibrium of $500 for a typical apartment. The horizontal line at the price of $500 shows the legally fixed maximum price set by the rent control law. However, the underlying forces that shifted the demand curve to the right are still there. At that price ($500), the quantity supplied remains at the same 15,000 rental units, but
the quantity demanded is 19,000 rental units. In other words, the quantity demanded exceeds the quantity supplied, so there is a shortage of rental housing. One of the ironies of price ceilings is that while the price ceiling was intended to help renters, there are actually fewer apartments rented out under the price ceiling (15,000 rental units) than would be the case at the market rent of $600 (17,000 rental units). When a price ceiling is set below the equilibrium price, as in this example, it is considered a **binding price ceiling**, thereby resulting in a shortage.

Sugar in Tamil Nadu for Green cards to remain Rs.13.50 per kg. TN Govt. fixes Rs. **1600 per quintal as MSP for Farmers.**

Toor Dal in Tamil Nadu Rs. 30 per kg **Wheat price in Tamil Nadu is Rs .8.45 per kg.**

Palm Oil in Tamil Nadu Rs. 25 per ltr.