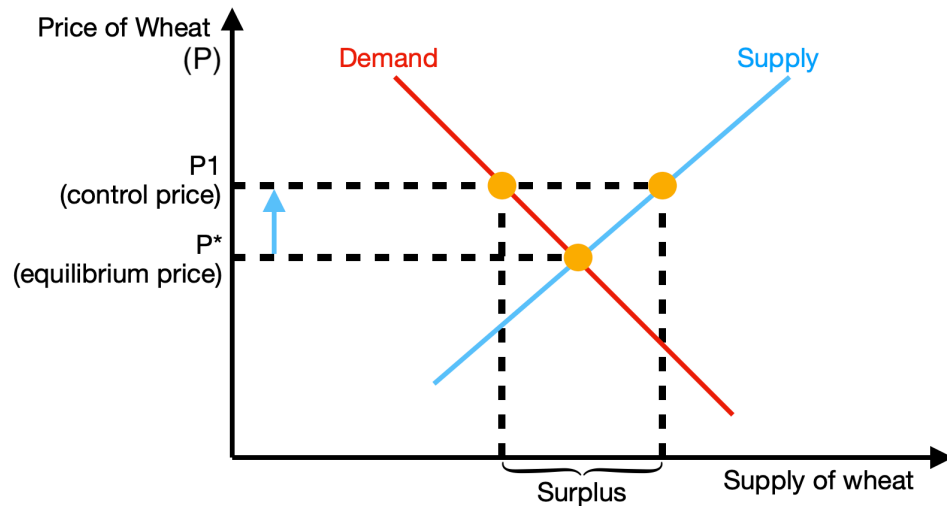


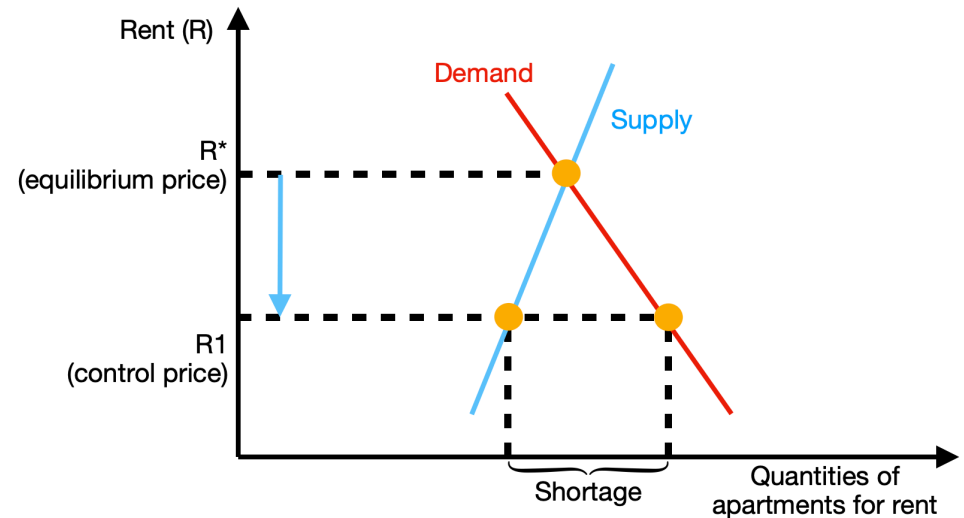
The consequences of price controls

Price floor



If the state imposes a floor price on wheat, for example, at a price above market equilibrium, there will be excess supply. The state will either have to buy the surplus, stockpile it or dispose of it in some way or another, or limit production.

Price ceiling



Rent control laws place limits on the rents that apartment owners can charge their tenants. If these rents are limited to R_1 , below the market equilibrium level R^* , there will be excess demand.