

CHAPTER

**6**

SECTION 1

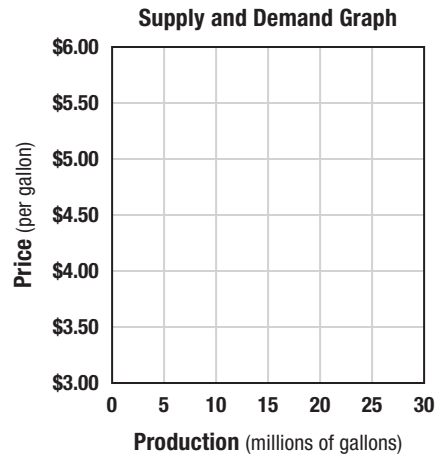
**ANALYZING CHARTS AND GRAPHS**

**Understanding Price Controls**

**3**

When gas prices hit record high levels in 2008, calls began for the government to put price controls on gasoline. ♦ *To illustrate this idea, use the hypothetical data from the table to graph gasoline supply and demand curves. Then answer the questions that follow.*

Supply and Demand Schedule		
Price/ Gallon	Gallons Demanded	Gallons Supplied
\$3.50	25 million	5 million
\$4.00	20 million	10 million
\$4.50	15 million	15 million
\$5.00	10 million	20 million
\$5.50	5 million	25 million



**Questions to Think About**

- Based on the graph, what is the equilibrium price for a gallon of gas?
- How many gallons of gas are consumers willing to buy and gas companies willing to supply at this price?
- If the government caps the price of a gallon at \$4, what will the demand for gas be?
- How much gas will the oil companies produce to sell at the \$4 price?
- Theoretically, what effect will placing this price ceiling on a gallon of gas have on the gasoline market?
- How will imposing this price ceiling both benefit and harm consumers?
- If you were President of the United States, would you put this price ceiling on gas? Explain.