

Homework Practice Assignment 1

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Due Saturday 10.21.17 at 11:45 PM

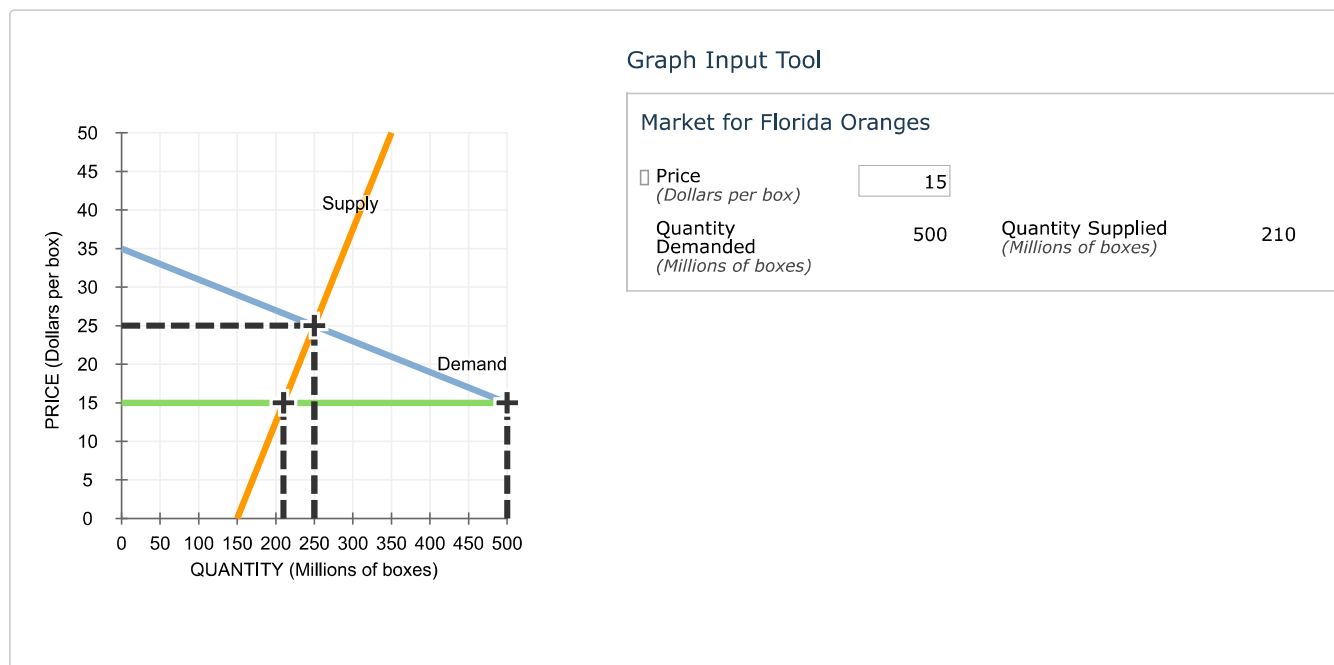
Attempts: Score: / 4

12. Price controls in the Florida orange market

The following graph shows the annual market for Florida oranges, which are sold in units of 90-pound boxes.

Use the graph input tool to help you answer the following questions. You will not be graded on any changes you make to this graph.

Note: Once you enter a value in a white field, the graph and any corresponding amounts in each grey field will change accordingly.



In this market, the equilibrium price is \$ per box, and the equilibrium quantity of oranges is million boxes.

For each of the prices listed in the following table, determine the quantity of oranges demanded, the quantity of oranges supplied, and the direction of pressure exerted on prices in the absence of any price controls.

Price (Dollars per box)	Quantity Demanded (Millions of boxes)	Quantity Supplied (Millions of boxes)	Pressure on Prices
15	<input type="text"/>	<input type="text"/>	<input type="text"/>
35	<input type="text"/>	<input type="text"/>	<input type="text"/>

True or False: A price ceiling above \$25 per box is a binding price ceiling in this market.

True

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False

Because it takes many years before newly planted orange trees bear fruit, the supply curve in the short run is almost vertical. In the long run, farmers can decide whether to plant oranges on their land, to plant something else, or to sell their land altogether. Therefore, the long-run supply of oranges is much more price sensitive than the short-run supply of oranges.

Assuming that the long-run demand for oranges is the same as the short-run demand, you would expect a binding price ceiling to result in a _____ that is _____ in the long run than in the short run.

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