

Example 3.K Price control and Welfare

Consider the market for apartment rentals in Chicago. The price of rent is determined by the following system of equations.

$$\text{Demand: } p = -2q_d + 160$$

$$\text{Supply: } p = q_s + 10$$

- What is the equilibrium price and quantity in the market for apartment rentals?

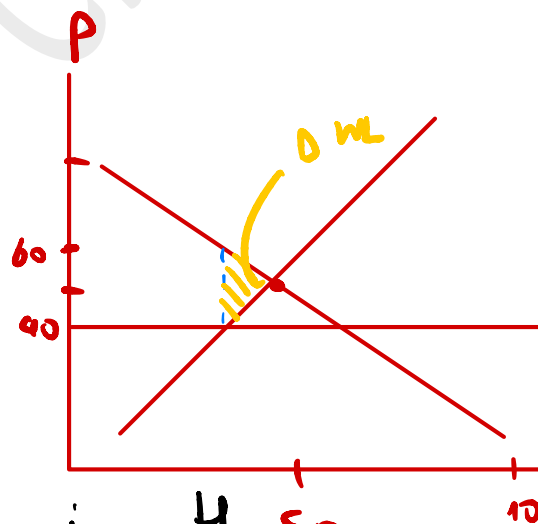
$$-2q + 160 = q + 10$$

$$150 = 3q$$

$$50 = q^*$$

$$p^* = 60$$

- Suppose the government tries to control the rent prices through a price ceiling of \$40. Discuss the implication of this policy. Is there any deadweight loss?



There is dwl in this graph if government try to control the rent price through price ceiling of \$40.