



Choice:

ECONOMICS MATERIALS FOR
SUCCESS

STEFANI MILOVANSKA-FARRINGTON

Price ceiling – How much is too much for a school trip?

Related news article: ['Families are struggling': Almost half of parents cannot afford school trip costs](#) (*The Brussels Times*, August 21, 2024)

Summary: This worksheet could be used for in-class or homework practice. Students will be asked to read the *excerpts* from a short article about the high price of school trips in Belgium and a proposed price ceiling on trips organized by schools in the country. Then, the worksheet will ask students to analyze and graphically show the effect of a binding price ceiling on school trips, and to evaluate the advantages and disadvantages of the proposed policy. **Answers are provided at the end of this document.**

Learning objectives: At the end of this worksheet, students will be able to:

- o Explain why a price ceiling below the equilibrium price of school trips in Belgium would create a shortage in the market for school trips;
- o Show graphically the shortage in the presence of a binding price ceiling;
- o Analyze the effect of a binding price ceiling on school trips on producer surplus, total surplus and the deadweight loss;
- o Evaluate the effect of a change in the price ceiling on the shortage of school trips.

Economics concepts: Price ceiling, Price control, Shortage, Surplus, Consumer surplus, Producer surplus, Deadweight loss

Suggested excerpts:

“41% of parents in French-speaking Belgium struggle to pay for school trips, and the Family League association is calling for the introduction of a price cap.”

“The challenge is to organise affordable trips that are still of a high educational quality, says the League. As it stands, students go on an average of four trips during the course of their primary and secondary school education.”

In Collaboration With:

FOUNDATION for
ECONOMIC EDUCATION
— EST. 1946 —



“A survey of 1,881 families between May and June this year showed that one in 18 primary school students and one in ten secondary students were unable to participate in trips due to high costs, averaging at €242 in primary school and €421 in secondary school. A quarter of excursions cost over €600.”

“The majority of school trips remain within Belgium with the exception of extracurricular holidays: 93% take place elsewhere in Europe and 3% take place on another continent. 41% of final-year primary school trips are ski holidays, and one in two parents have been obliged to purchase materials and gear specifically for the trip in question. In addition, baseline costs often do not take meal and other expenses into account. This was the case for 31% of families surveyed.”

“In light of these difficulties, the Family League is calling for the introduction of a price cap for trips organised by French-language schools in Belgium. 64% of parents were in favour of such an initiative, while 15% expressed a neutral opinion. Based on the survey responses themselves and measures taken to alleviate expensive school trips in Flanders, the League proposes that primary school trips be capped at €527 and secondary at €903.”

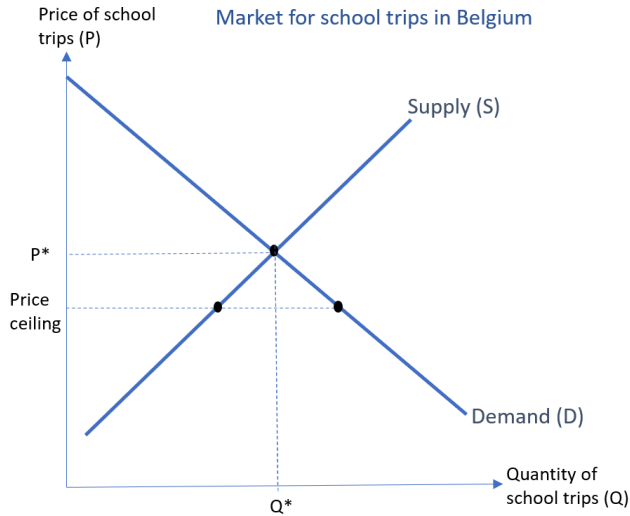
In Collaboration With:

FOUNDATION *for*
ECONOMIC EDUCATION
— EST. 1946 —



Student Questions

1. According to the article, what is the average number of school trips students in Belgium go on during their primary and secondary school education?
2. According to the article, what is the problem with school trips in the French-speaking Belgium?
 - a. Their educational quality is low.
 - b. They are not affordable for many parents.
 - c. They are not safe for students.
 - d. There are not enough trips during the school year.
3. According to the article, what solution to the problem you identified in Question 2 has the Family League association in Belgium called for?
 - a. Introduction of a tax on travelers.
 - b. Introduction of a price floor on school trips.
 - c. Introduction of a price ceiling on school trips.
 - d. Introduction of a tax on travel agencies.
4. If there is “a price cap for trips organised by French-language schools in Belgium,” this means that there would be a:
 - a. A minimum price of school trips in Belgium.
 - b. A maximum price of school trips in Belgium.
 - c. A minimum number of trips students have to go on per academic year.
 - d. A maximum number of trips students have to go on per academic year.
5. Which of the following statements about the introduction of a price ceiling on school trips in Belgium is correct?
 - a. A price ceiling would always lead to a shortage of school trips.
 - b. A price ceiling would always lead to a surplus of school trips.
 - c. A price ceiling may or may not change the number of school trips supplied and demanded in Belgium.
 - d. The price of a school trip in Belgium would always remain the same regardless of whether a price ceiling is introduced or not.
6. The following graph shows the supply and demand curves in the market for school trips in Belgium. It also shows a proposed price ceiling on these trips. Given the price ceiling shown on the graph, is the market for school trips in Belgium in equilibrium? Is there a surplus of trips? Is there a shortage of trips? If there is a surplus or a shortage, show it on the graph below.



7. Given the price ceiling on school trips shown on the graph in Question 6, which of the following statements is true?

- Producer surplus (PS) would be greater than the PS in the absence of the ceiling.
- Total surplus (TS) would be lower than the TS in the absence of the ceiling.
- The ceiling would not generate any deadweight loss (DWL).
- The equilibrium price would decrease.

8. Refer to the graph in Question 6. If the price ceiling for school trips increases, it is expected that:

- There will be a larger shortage of school trips if the new price ceiling is still below the equilibrium price of school trips.
- There will be a smaller shortage of school trips if the new price ceiling is still below the equilibrium price of school trips.
- There will be a surplus of school trips if the new price ceiling is still below the equilibrium price of school trips.
- There will be a shortage of school trips regardless of whether the new price ceiling is below or above the equilibrium price of school trips.

9. The article reports that “64% of parents were in favour” of the price cap on school trips in Belgium and “15% expressed a neutral opinion.” This means that 31% were against the ceiling. In your opinion, why were some parents against the initiative proposed by the Family League?



10. According to the article, which of the following statements about school trips in Belgium is correct?

- a. Most extracurricular holidays take place on other continents.
- b. Parents never have to purchase any materials specifically for a given school trip.
- c. The baseline price of a school trip does not always include meal expenses.
- d. All primary school trips are ski holidays.

11. In your opinion, should there be a price cap on school trips? Why or why not?



Answer Key

1. According to the article, what is the average number of school trips students in Belgium go on during their primary and secondary school education?

Answer: Four trips. That article states that “students go on an average of four trips during the course of their primary and secondary school education.”

2. According to the article, what is the problem with school trips in the French-speaking Belgium?

- a. Their educational quality is low.
- b. They are not affordable for many parents.
- c. They are not safe for students.
- d. There are not enough trips during the school year.

Answer: B. The article states that “41% of parents in French-speaking Belgium struggle to pay for school trips.”

3. According to the article, what solution to the problem you identified in Question 2 has the Family League association in Belgium called for?

- a. Introduction of a tax on travelers.
- b. Introduction of a price floor on school trips.
- c. Introduction of a price ceiling on school trips.
- d. Introduction of a tax on travel agencies.

Answer: C. The article explains that “the Family League association is calling for the introduction of a price cap.”

4. If there is “a price cap for trips organised by French-language schools in Belgium,” this means that there would be a:

- a. A minimum price of school trips in Belgium.
- b. A maximum price of school trips in Belgium.
- c. A minimum number of trips students have to go on per academic year.
- d. A maximum number of trips students have to go on per academic year.

Answer: B. A price cap, or a price ceiling, is a maximum price.

5. Which of the following statements about the introduction of a price ceiling on school trips in Belgium is correct?

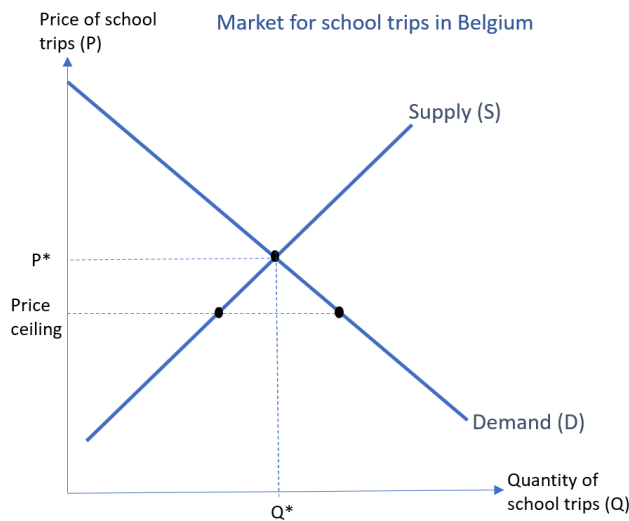
- a. A price ceiling would always lead to a shortage of school trips.
- b. A price ceiling would always lead to a surplus of school trips.



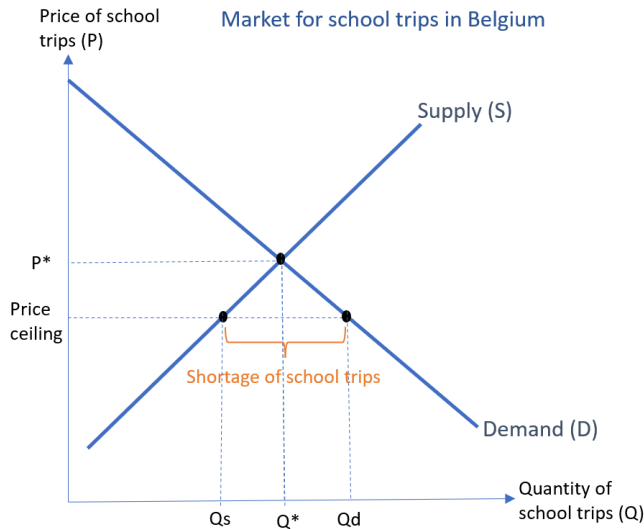
- c. A price ceiling may or may not change the number of school trips supplied and demanded in Belgium.
- d. The price of a school trip in Belgium would always remain the same regardless of whether a price ceiling is introduced or not.

Answer: C. A price ceiling is binding (effective) only when it is below the equilibrium price of school trips. In the latter case, the introduction of a price ceiling would lead to a shortage of school trips.

6. The following graph shows the supply and demand curves in the market for school trips in Belgium. It also shows a proposed price ceiling on these trips. Given the price ceiling shown on the graph, is the market for school trips in Belgium in equilibrium? Is there a surplus of trips? Is there a shortage of trips? If there is a surplus or a shortage, show it on the graph below.



Answer: The price ceiling shown on the graph is below the equilibrium price of school trips, so it is binding. At a price of trips equal to the price ceiling, the quantity of trips demanded (Q_d) exceeds the quantity of trips supplied (Q_s). Therefore, there would be a shortage of school trips. The difference between Q_d and Q_s (that is, $Q_d - Q_s$) represents this shortage. It is shown on the following graph:



7. Given the price ceiling on school trips shown on the graph in Question 6, which of the following statements is true?

- Producer surplus (PS) would be greater than the PS in the absence of the ceiling.
- Total surplus (TS) would be lower than the TS in the absence of the ceiling.
- The ceiling would not generate any deadweight loss (DWL).
- The equilibrium price would decrease.

Answer: B. Given a price ceiling below the equilibrium price P^* , PS (given by the area above the supply curve and below the ceiling) would be lower, TS would be lower and there would be a DWL. The equilibrium price would change only if there was a change in supply and/or demand.

8. Refer to the graph in Question 6. If the price ceiling for school trips increases, it is expected that:

- There will be a larger shortage of school trips if the new price ceiling is still below the equilibrium price of school trips.
- There will be a smaller shortage of school trips if the new price ceiling is still below the equilibrium price of school trips.
- There will be a surplus of school trips if the new price ceiling is still below the equilibrium price of school trips.
- There will be a shortage of school trips regardless of whether the new price ceiling is below or above the equilibrium price of school trips.

Answer: B. If the price ceiling is above the equilibrium price, it will be non-binding and there will be no surplus or shortage (that is, the market will be in equilibrium). If the price ceiling is below the equilibrium price, $Q_d > Q_s$, so there will be a shortage. The closer such a binding price ceiling is to the



equilibrium P^* , the smaller the difference between Q_d and Q_s would be, that is, the smaller the shortage of school trips.

9. The article reports that “64% of parents were in favour” of the price cap on school trips in Belgium and “15% expressed a neutral opinion.” This means that 31% were against the ceiling. In your opinion, why were some parents against the initiative proposed by the Family League?

Answer: Answers may vary. Some students might mention the potential shortage of school trips. Other students might express concerns about the quality of the trips at the lower price.

10. According to the article, which of the following statements about school trips in Belgium is correct?

- a. Most extracurricular holidays take place on other continents.
- b. Parents never have to purchase any materials specifically for a given school trip.
- c. The baseline price of a school trip does not always include meal expenses.
- d. All primary school trips are ski holidays.

Answer: C. The article states that “baseline costs often do not take meal and other expenses into account. This was the case for 31% of families surveyed.” In addition, “the majority of school trips remain within Belgium with the exception of extracurricular holidays: 93% take place elsewhere in Europe and 3% take place on another continent.” Finally, according to the article, “41% of final-year primary school trips are ski holidays, and one in two parents have been obliged to purchase materials and gear specifically for the trip in question.”

11. In your opinion, should there be a price cap on school trips? Why or why not?

Answer: Answers will vary.