

When Equilibrium Price is “too low”

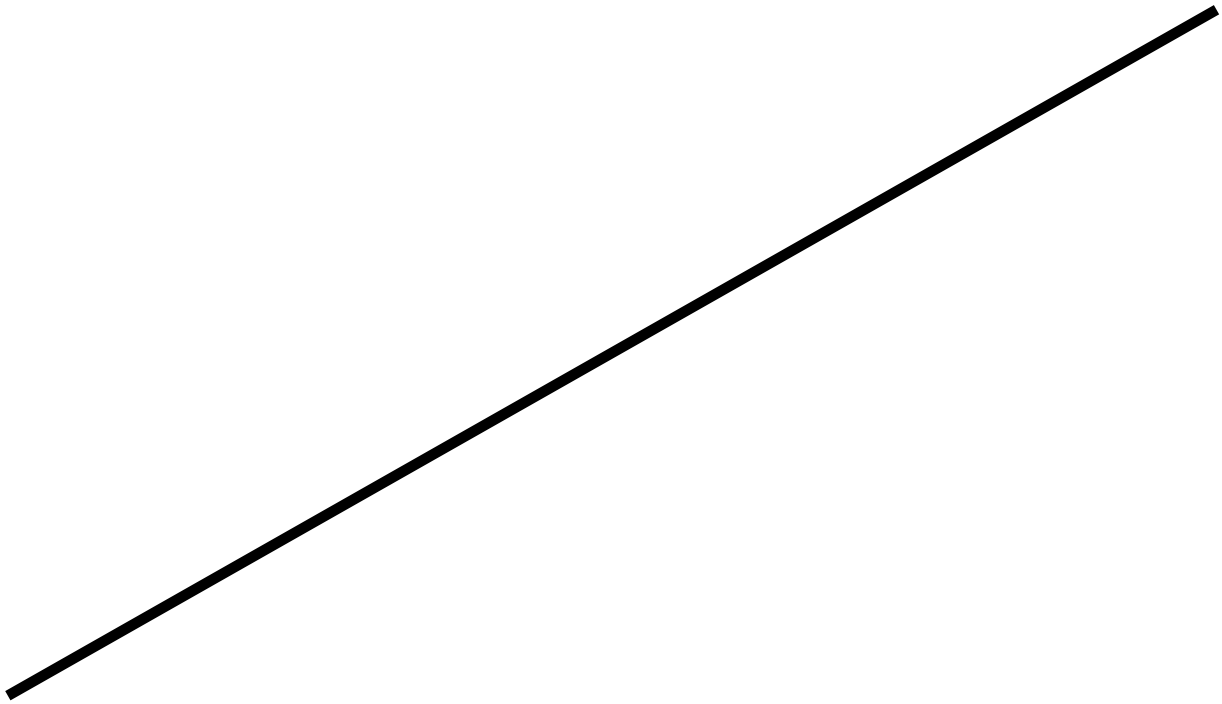














Qd = 20,000



qs

=

60

0

,

0

0

0





40,000

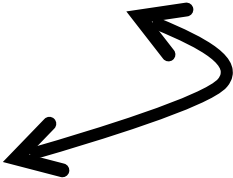
\$0.3



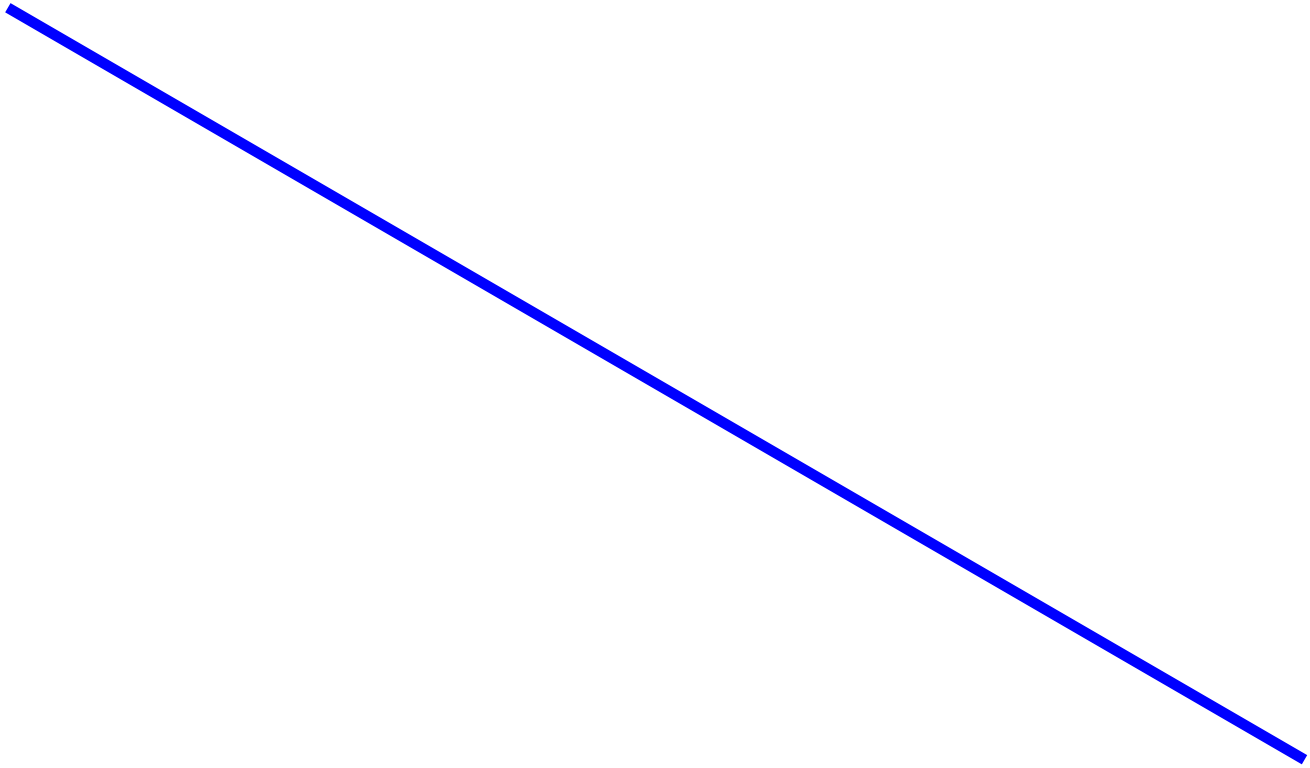
**Must pay
at least**

Price Floor

**Prevents price
from reaching
equilibrium**



All these prices
are prohibited









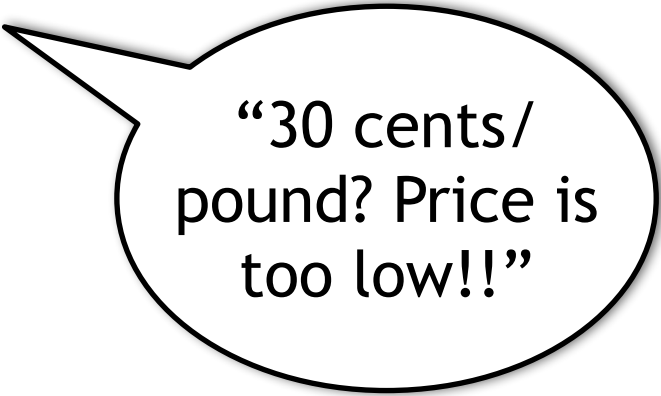




Surplus



Surplus



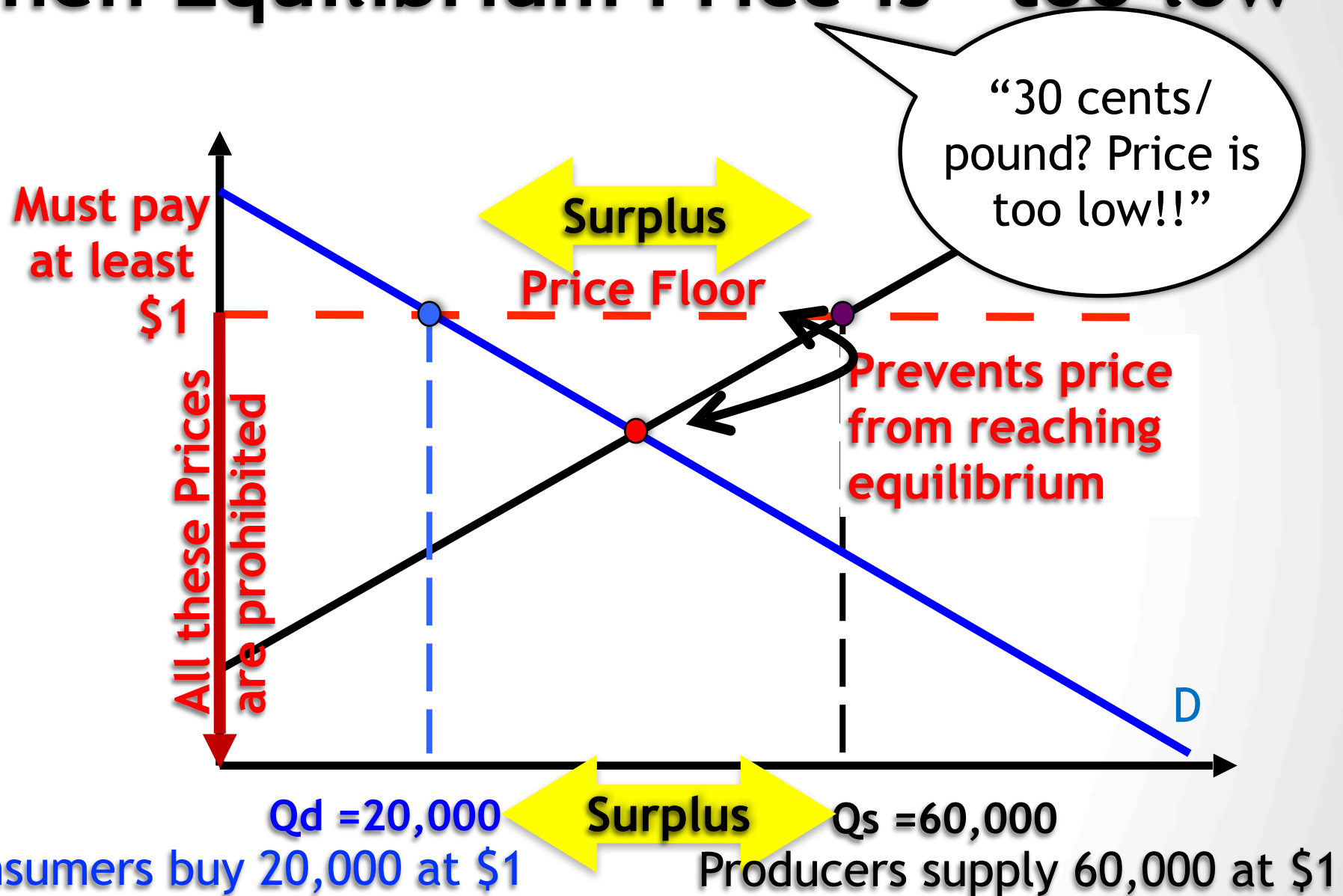
“30 cents/
pound? Price is
too low!!”

We ask the government to impose minimum price

Consumers buy 20,000 at \$1

Producers supply 60,000 at \$1

When Equilibrium Price is “too low”



We ask the government to impose minimum price

