

Price Ceiling







Q



\$6



40



C S

\$4

\$10

20

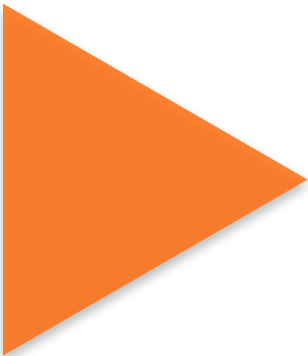
PS



\$2





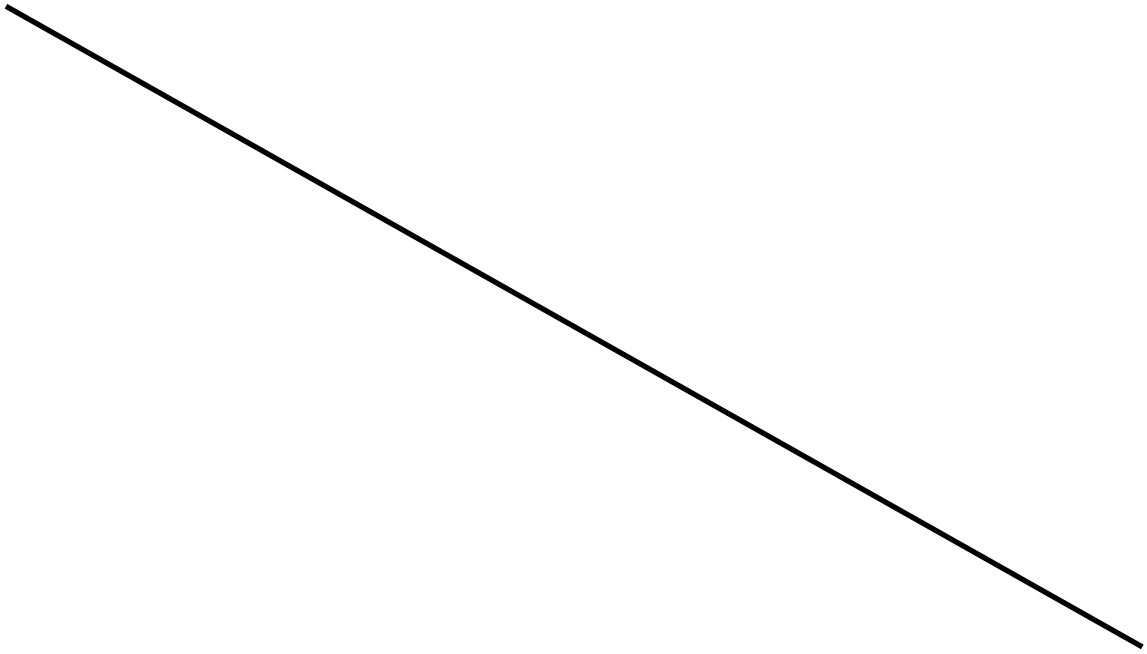


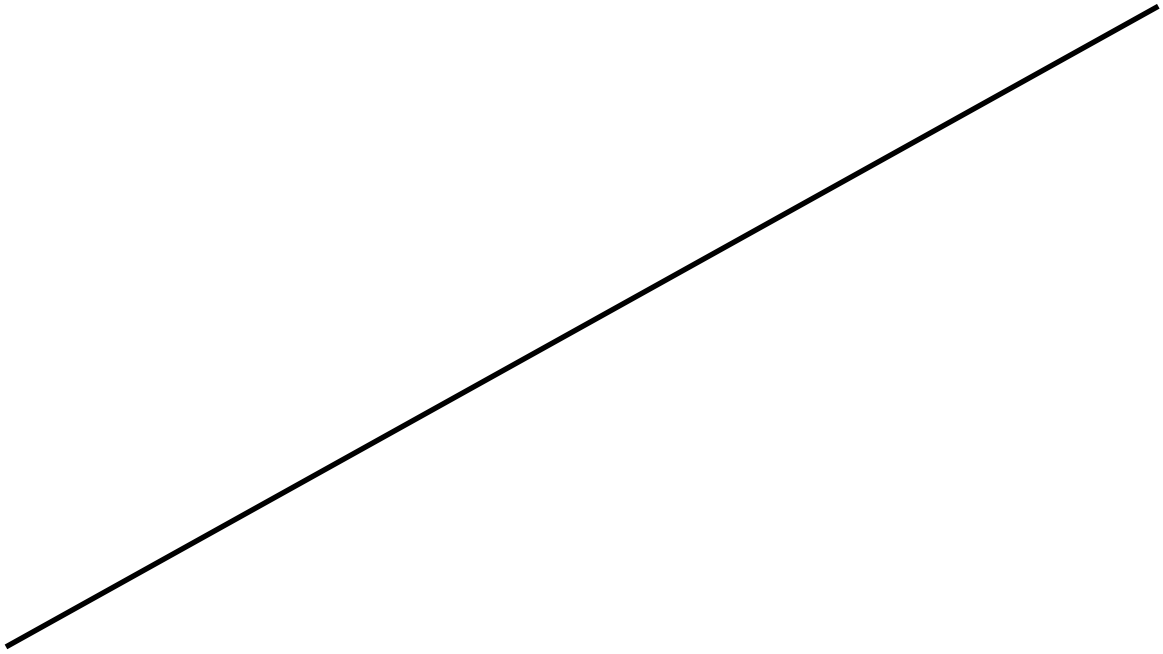
**Tax/
Subsidy**

RS

CS

WL





Tax to producers

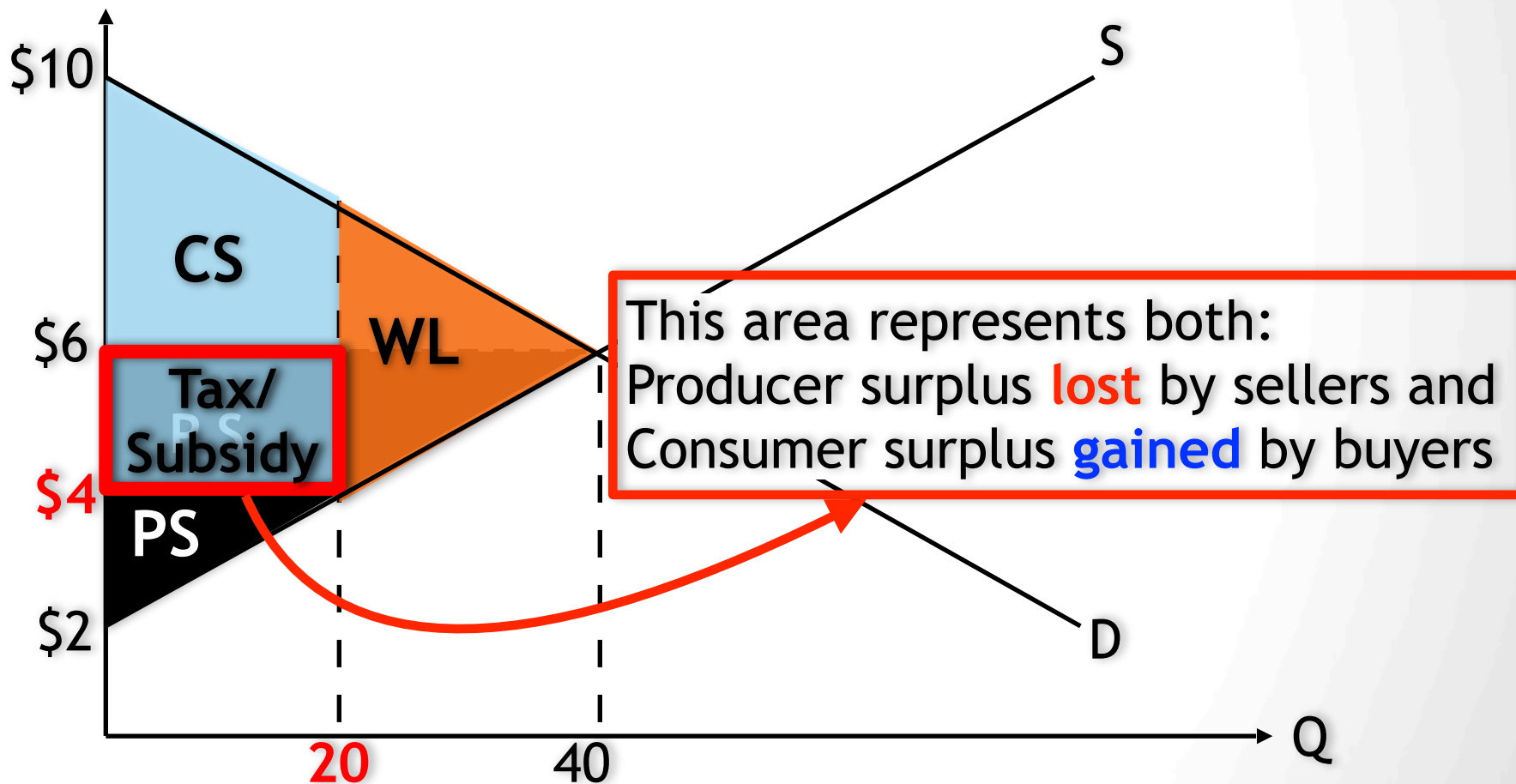
Subsidy to consumers

This area represents both:
Producer surplus **lost** by sellers and
Consumer surplus **gained** by buyers



Price Ceiling

Tax to producers
Subsidy to consumers



When Equilibrium Price is “too low”

