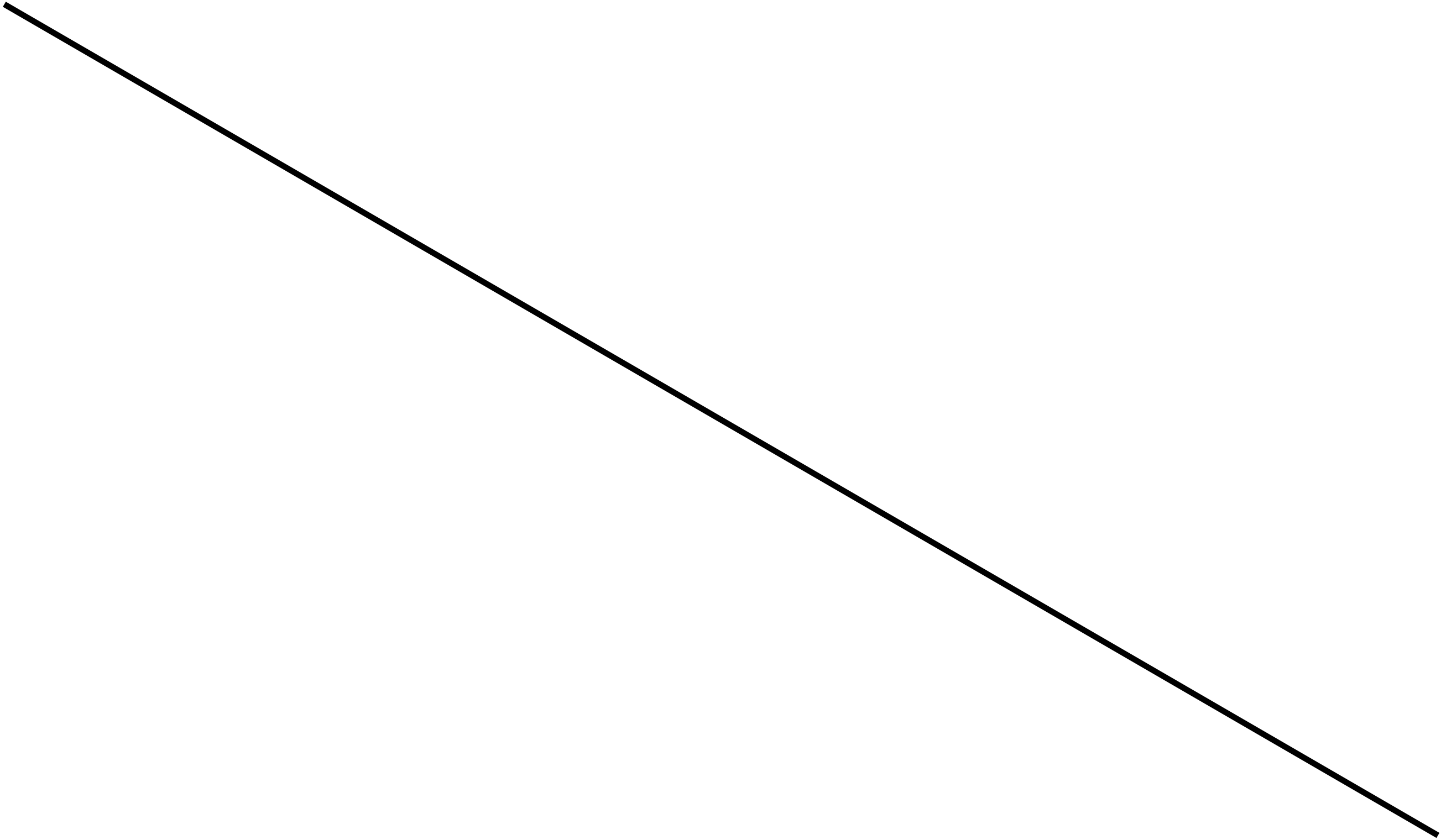


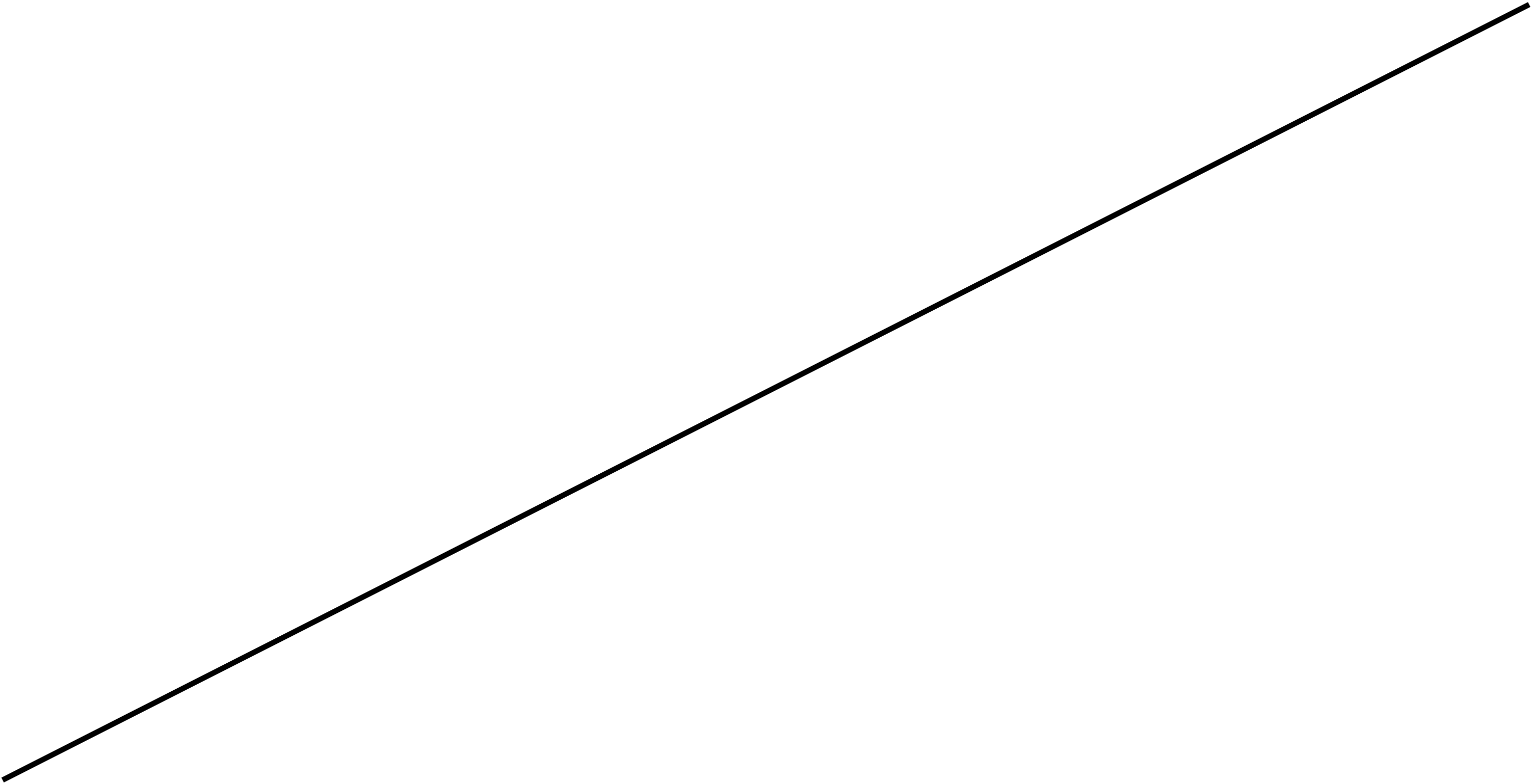
Consider the Corn Market





S

Price Floor: 0.8





$$Q^d = 100$$



$$Q^s = 800$$





$$Q_e = 400$$

$$P_e = 0.50$$



Price Control: The
minimum price is
\$0.80/pound



Price Floor


All these prices are
now prohibited

Prevents price
from reaching
equilibrium





Surplus



"We can not
support our families
on 50 cents per
pound!!"

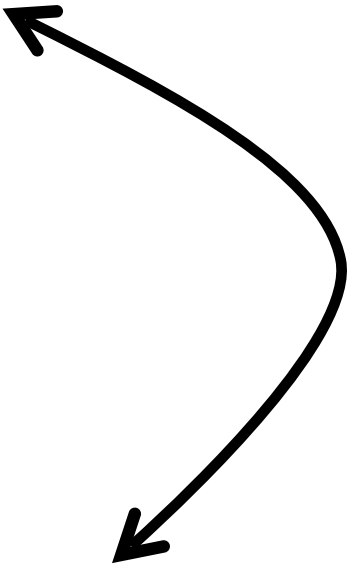
If the market is allowed to clear, farmers will get 50
cents/pound

cause a surplus

Suppliers (farmers) ask the government to impose price support



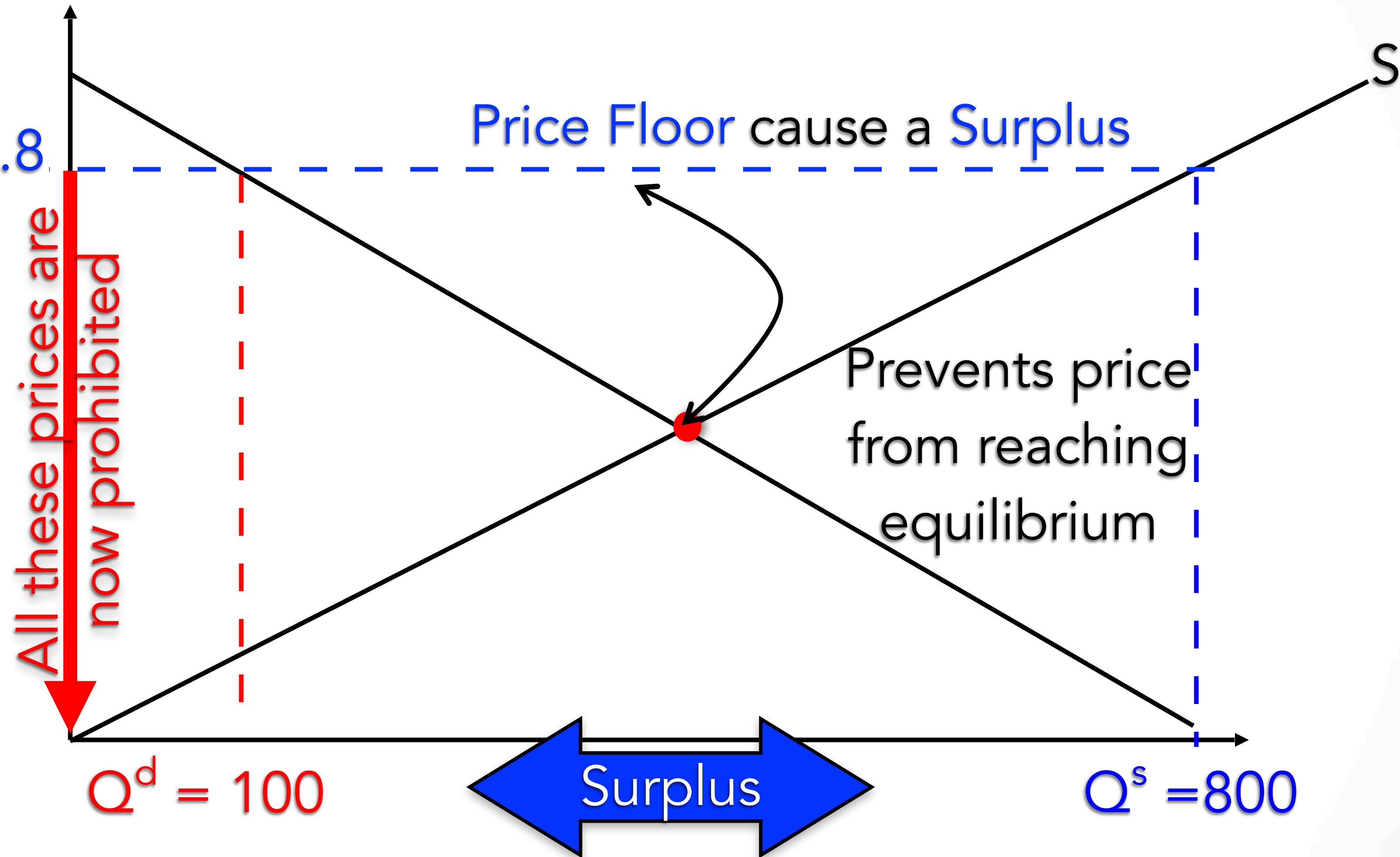
The
equilibrium price
is no longer
allowed



Consider the Corn Market

Price Control: The minimum price is \$0.80/pound

Price Floor: 0.8



Suppliers (farmers) ask the government to impose price support

