

Subsidy

Tax

Floor: \$0.8



$$Q^d = 100$$

$$P_e = 0.50$$

$$P_e = 0.50$$

Floor: \$0.8



$$Q^d = 100$$



0









Floor has the same effect of imposing a tax on consumers and a subsidy to producers

The size of this Tax to consumers and
Subsidy to producers is this area:

Tax

Subsidy

~~Tax~~/Subsidy =

$$\frac{(0.8 - 0.50) \times (100)}{2}$$

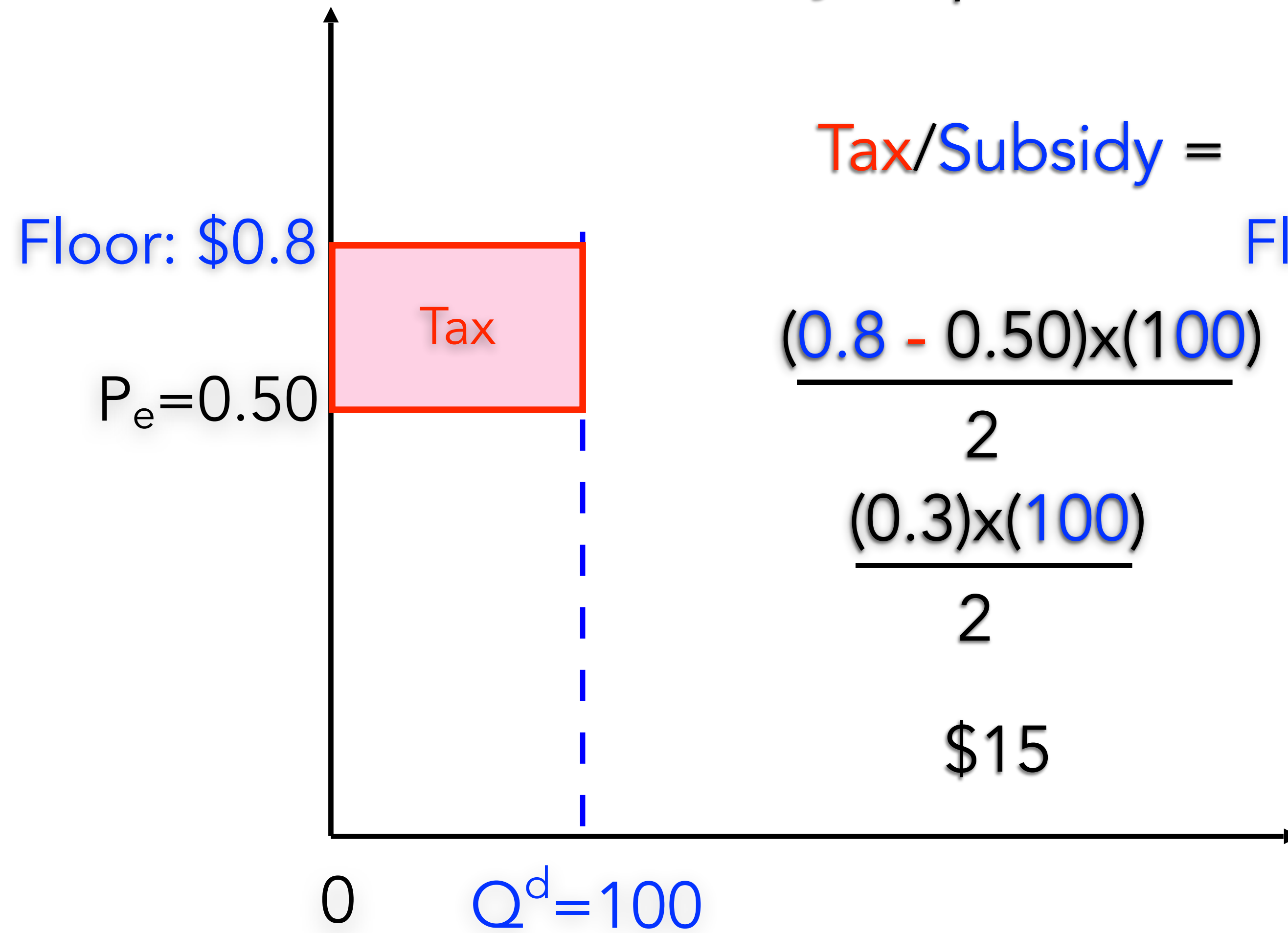
2

$$(0.3) \times (100)$$

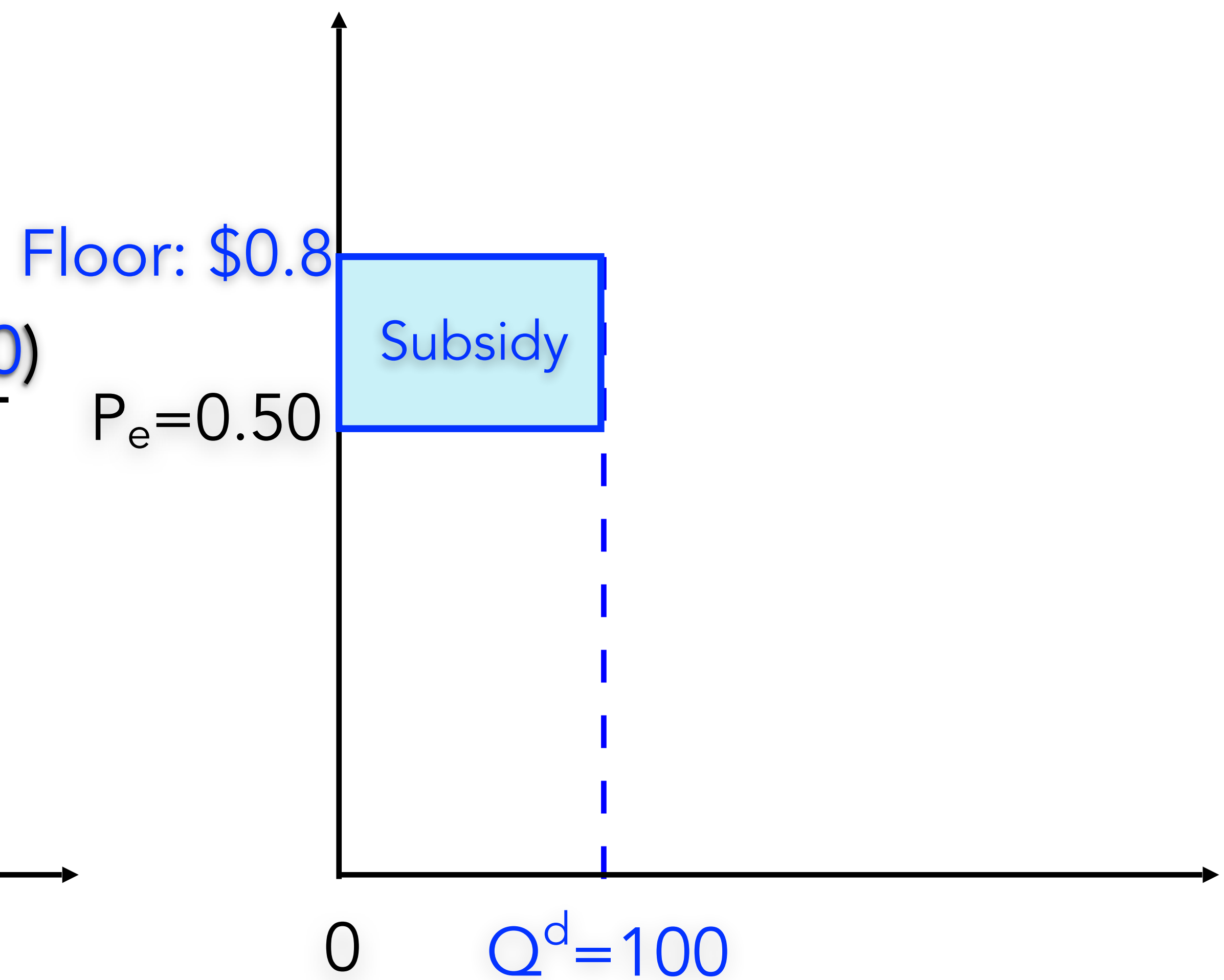
$$2$$

\$15

The size of this Tax to consumers and
Subsidy to producers is this area:



$$\begin{aligned} \text{Tax/Subsidy} &= \\ &= \frac{(0.8 - 0.50) \times (100)}{2} \\ &= \frac{(0.3) \times (100)}{2} \\ &= \$15 \end{aligned}$$



The imposition of a Floor (for example price supports)

