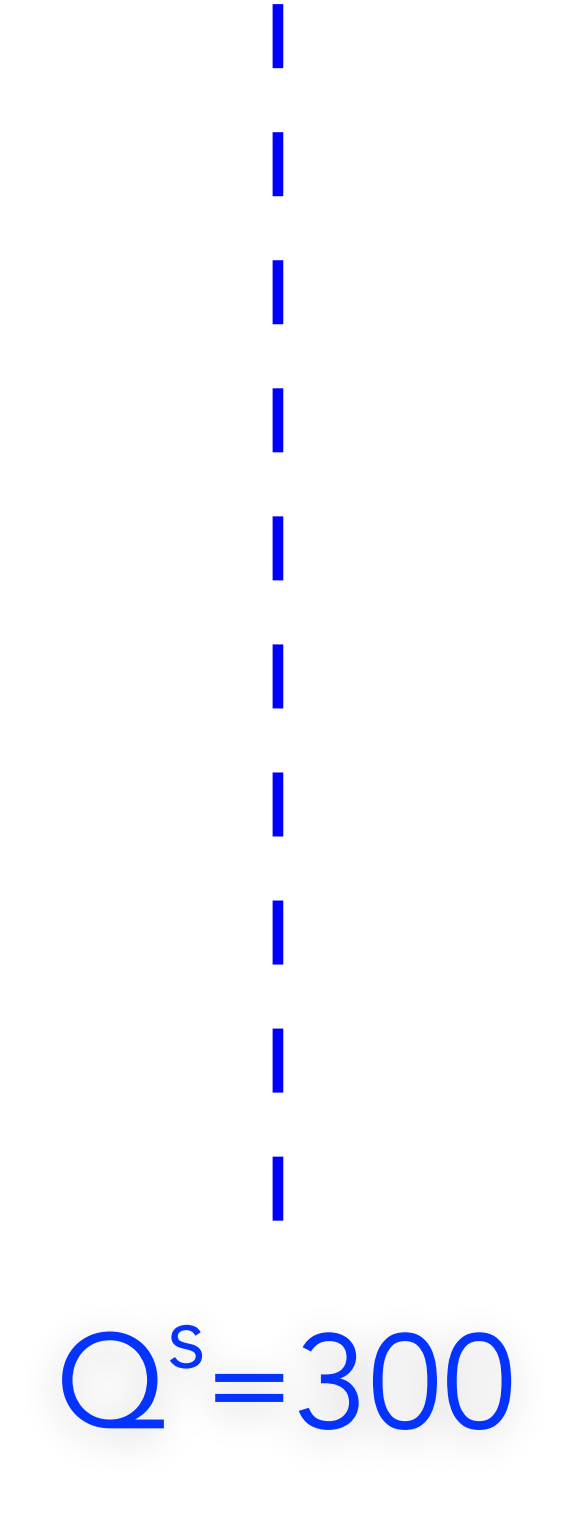
Subsidy

Tax

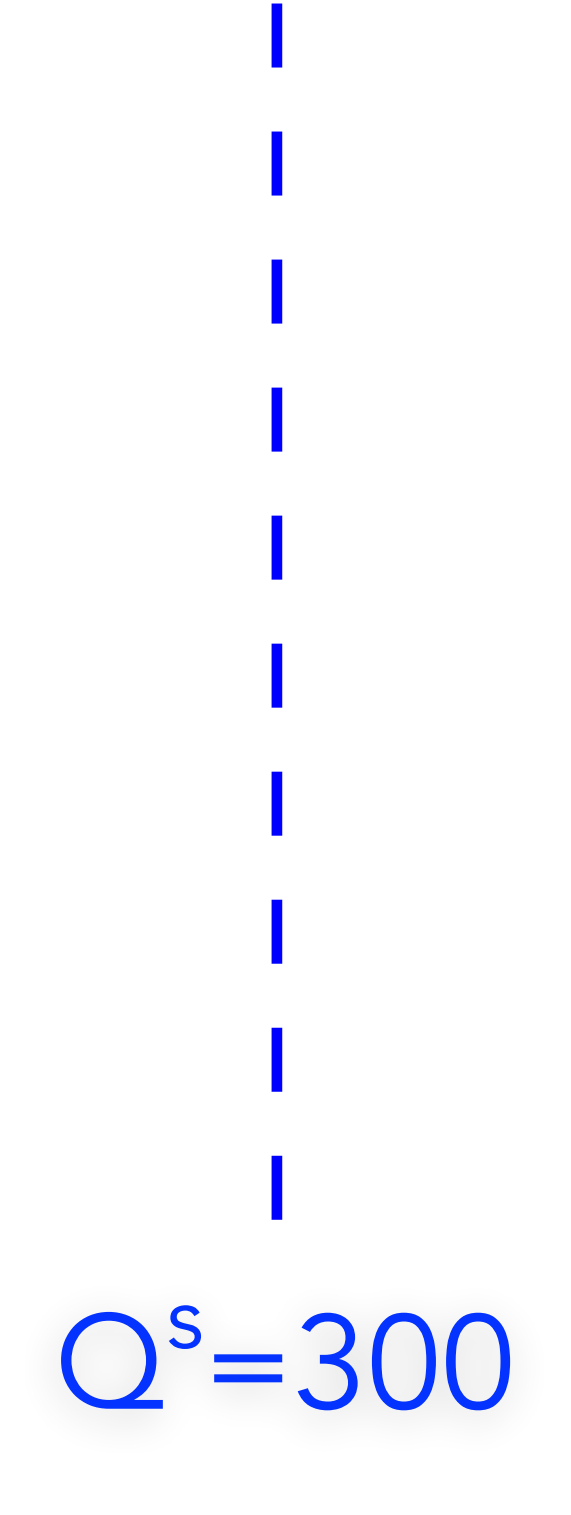
Ceiling: 2,200


$Q^s=300$

3,900

3,900

2,200


$Q^s=300$

0

0

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

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

Tax

Subsidy

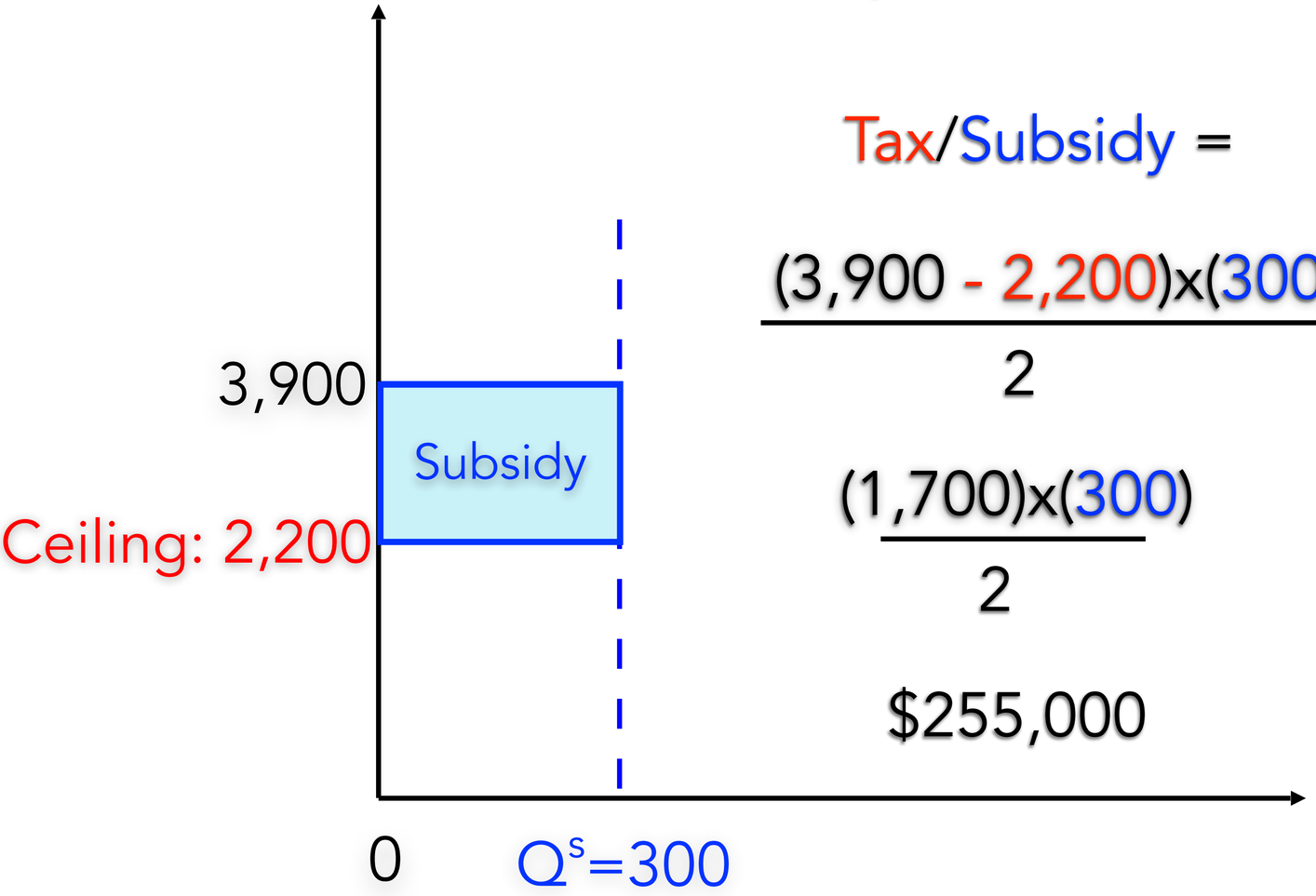
Tax/Subsidy =

$$\frac{(3{,}900 - 2{,}200) \times (300)}{2}$$

$$\frac{(1,700)\times(300)}{2}$$

$255,000

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

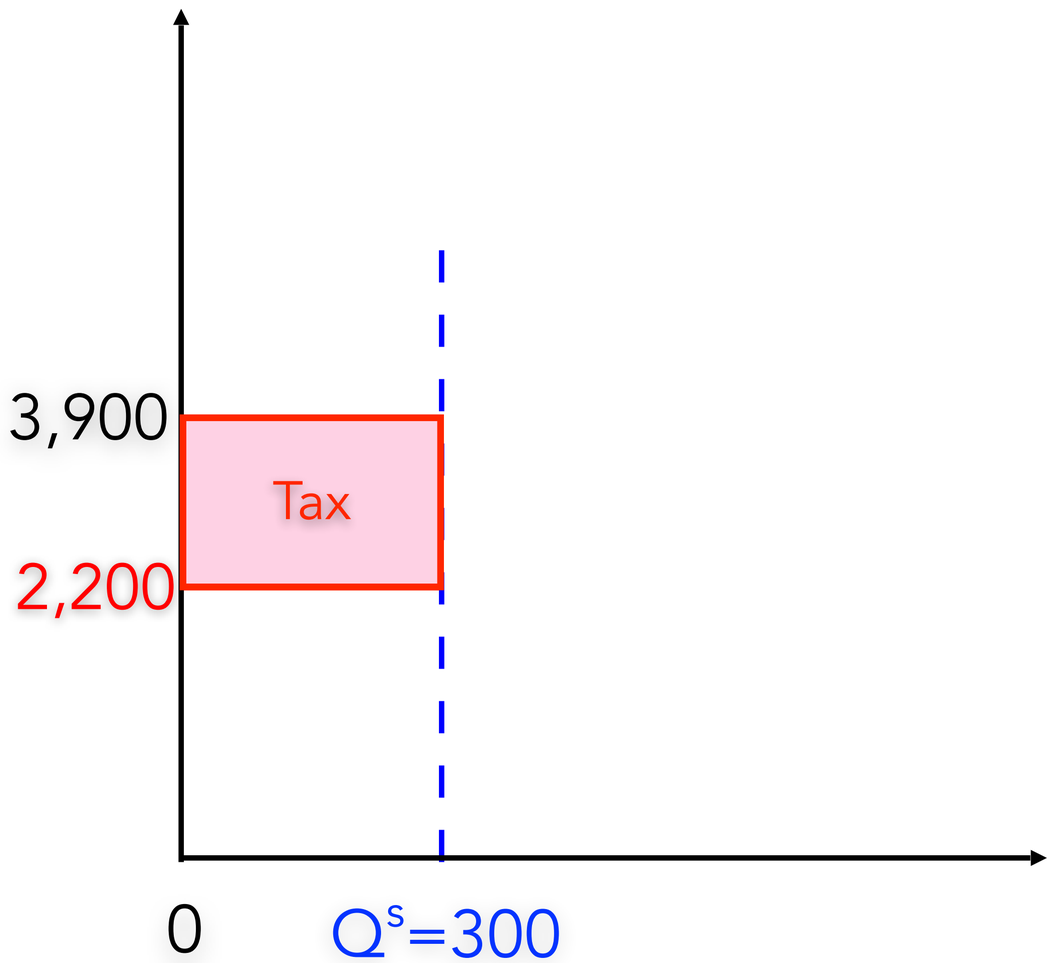


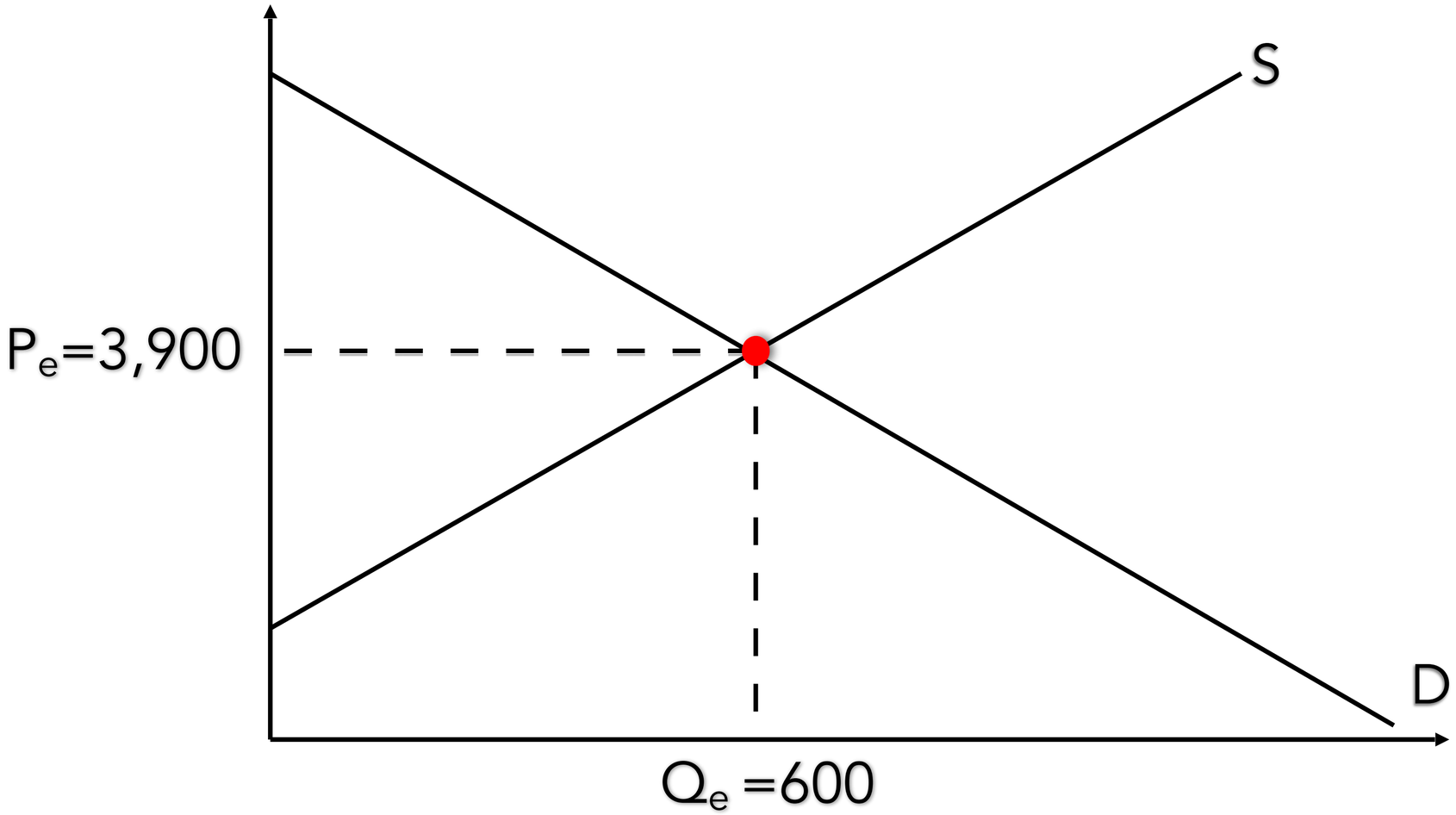
Tax/Subsidy =

$$\frac{(3{,}900 - 2{,}200)\times(300)}{2}$$

$$\frac{(1{,}700)\times(300)}{2}$$

$255,000




S
P_e=3,900
D
Q_e =600