



# Subsidy

Tax

Floor: \$0.8



$$Q^d = 100$$

$$P_e = 0.50$$

$$P_e = 0.50$$

Floor: \$0.8





$$Q^d = 100$$













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

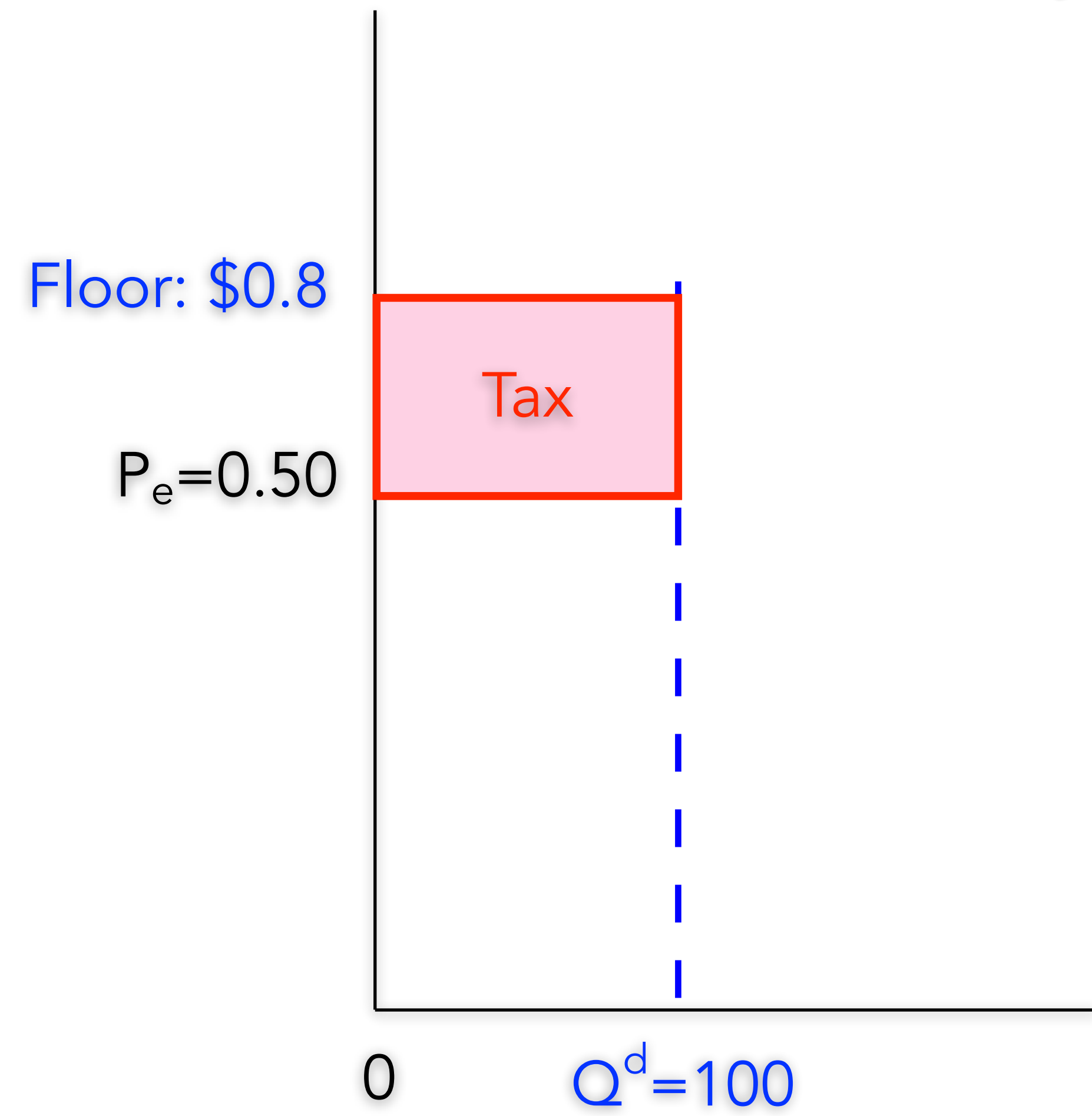
$$(0.3) \times (100)$$

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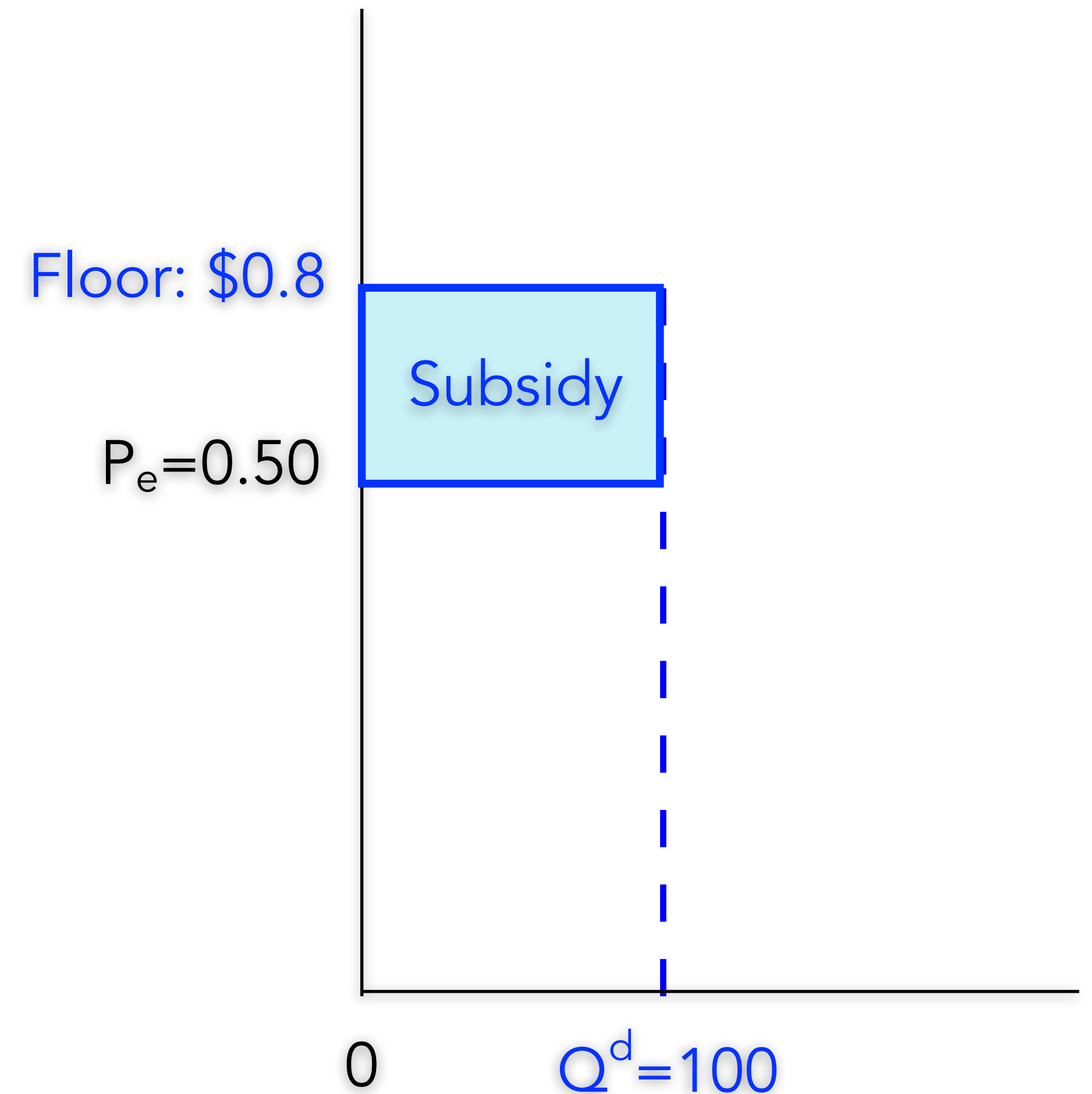
$$2$$

**\$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)

