

Subsidy

Tax

Floor: \$0.8



$$Q^d = 100$$

$$P_e = 0.50$$

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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

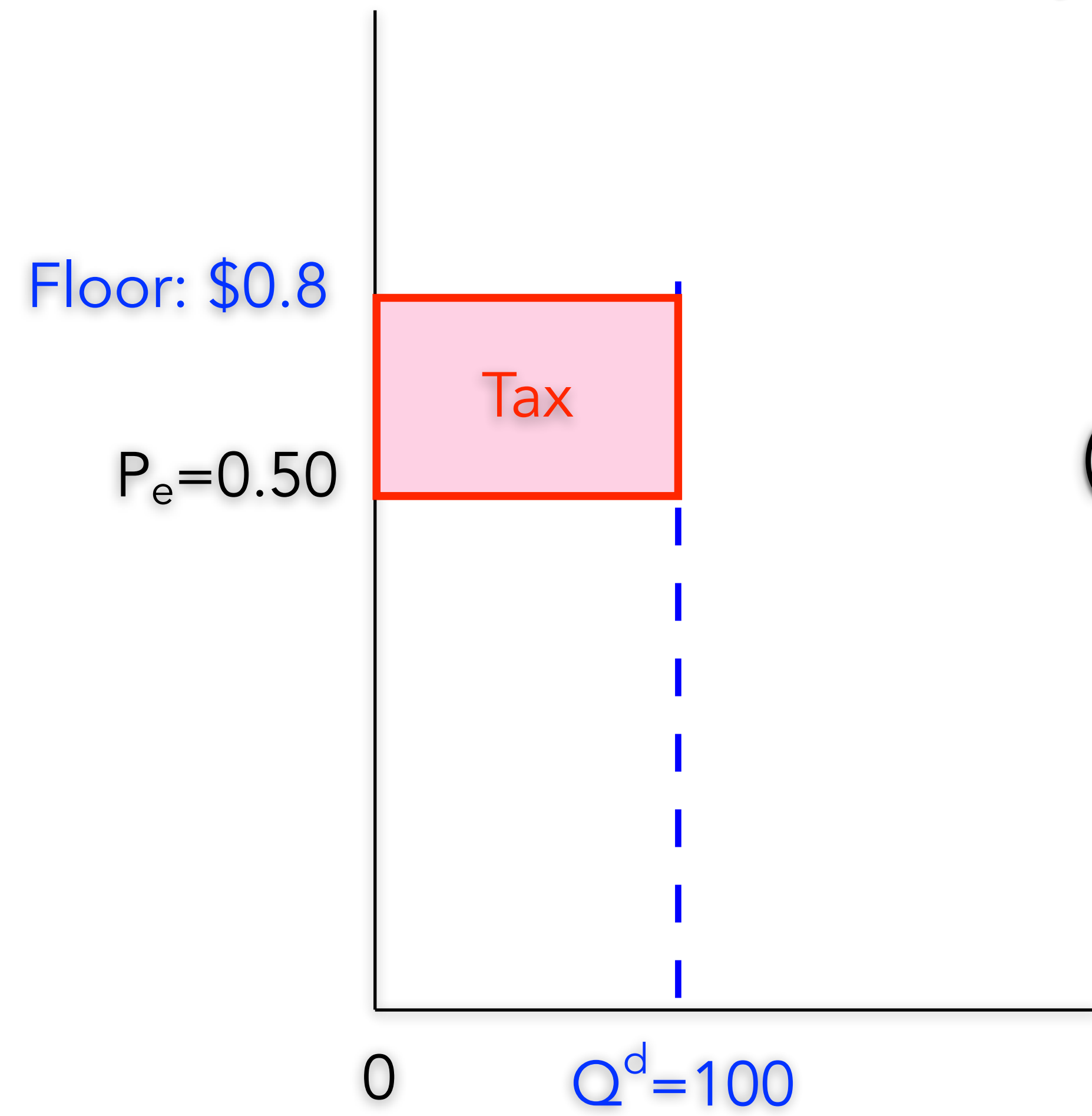
Subsidy

~~Tax~~/Subsidy =

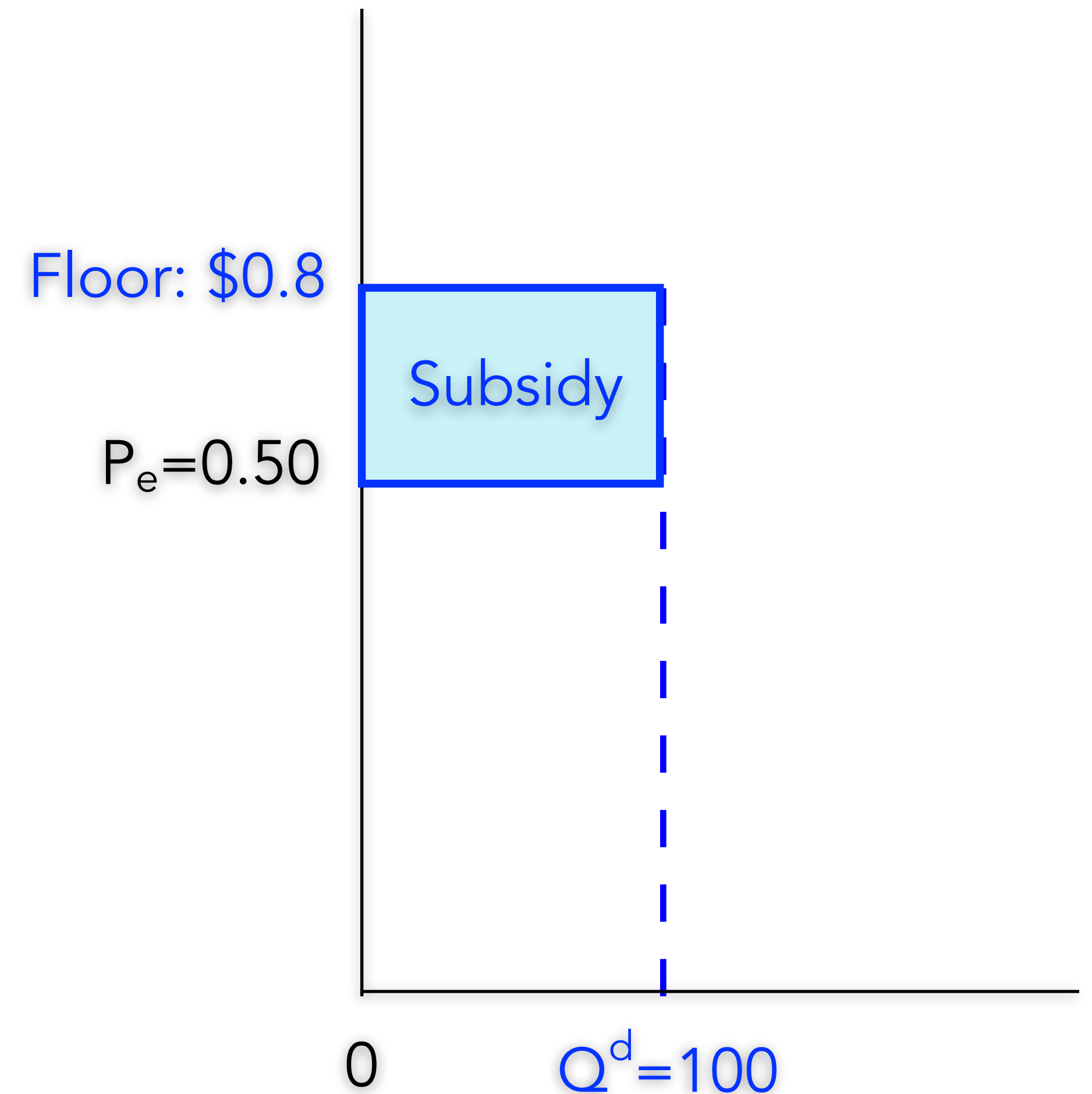
$$(0.8 - 0.50) \times (100) =$$

$$(0.3) \times (100) = \$30$$

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



$$\begin{aligned} \text{Tax/Subsidy} &= \\ (0.8 - 0.50) \times (100) &= \\ (0.3) \times (100) &= \$30 \end{aligned}$$



The imposition of a Floor (for example price supports)

