

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 =

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

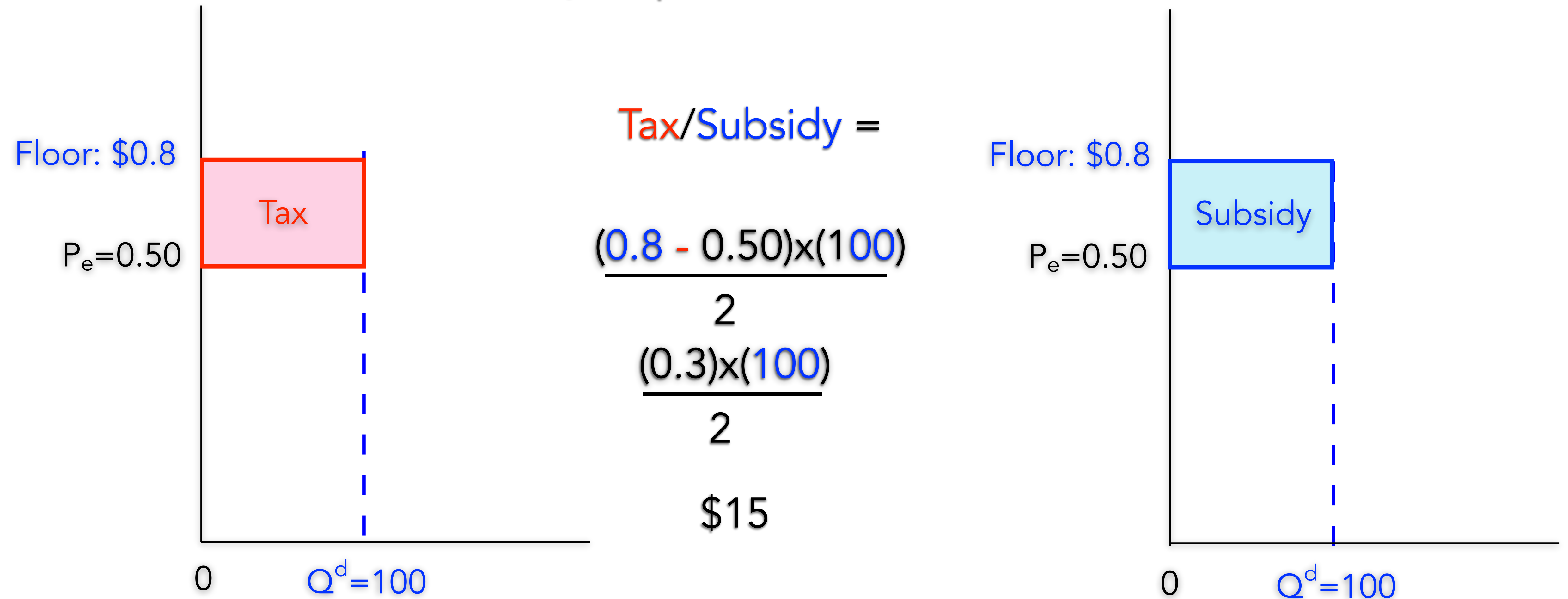
2

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

$$2$$

\$15

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



The imposition of a Floor (for example price supports)

