18

16

14

12

10

8

6

4

2

0

2 4 6 8 10 12 14 16 18 20 22

Government impose a Price Floor at $14

$$CS_{\text{at Equilibrium}} = \frac{(18-7) \times 10)}{2} = 55$$

$$CS_{\text{after floor}} = \frac{(18-14) \times 4}{2} = 8$$

PS at equilibrium

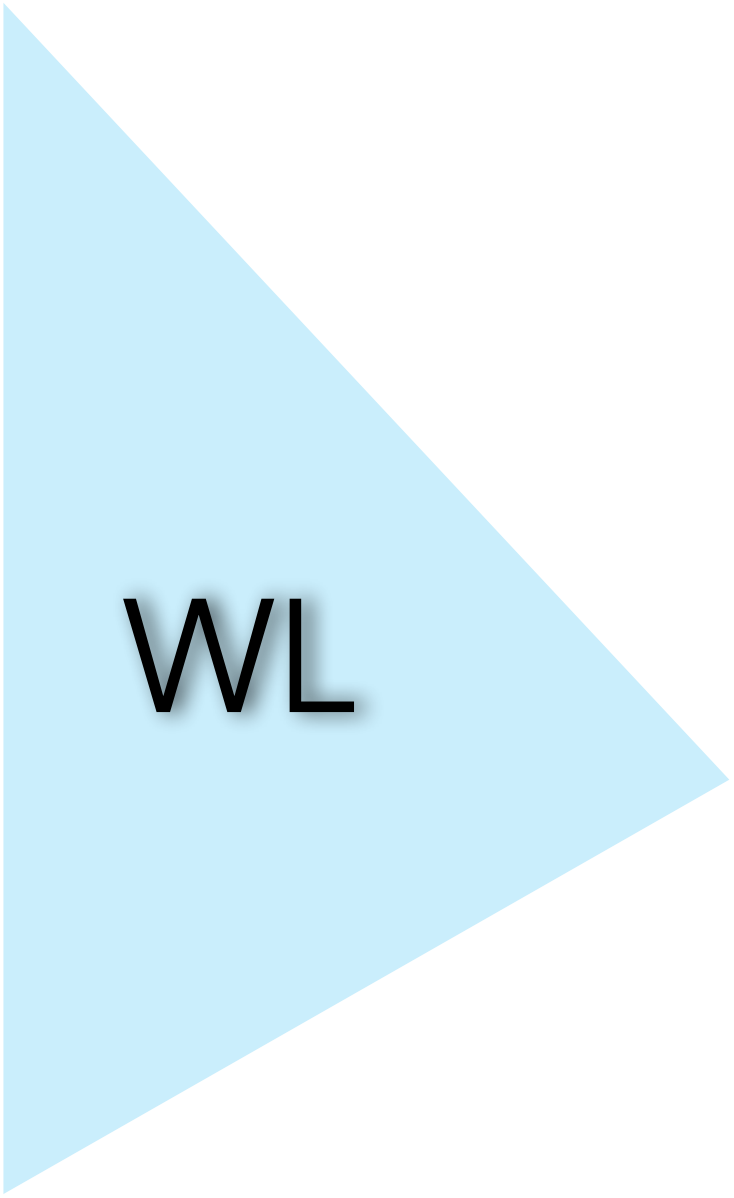
$$PS_{\text{at Equilibrium}} = \frac{(7-2) \times 10)}{2} = 25$$

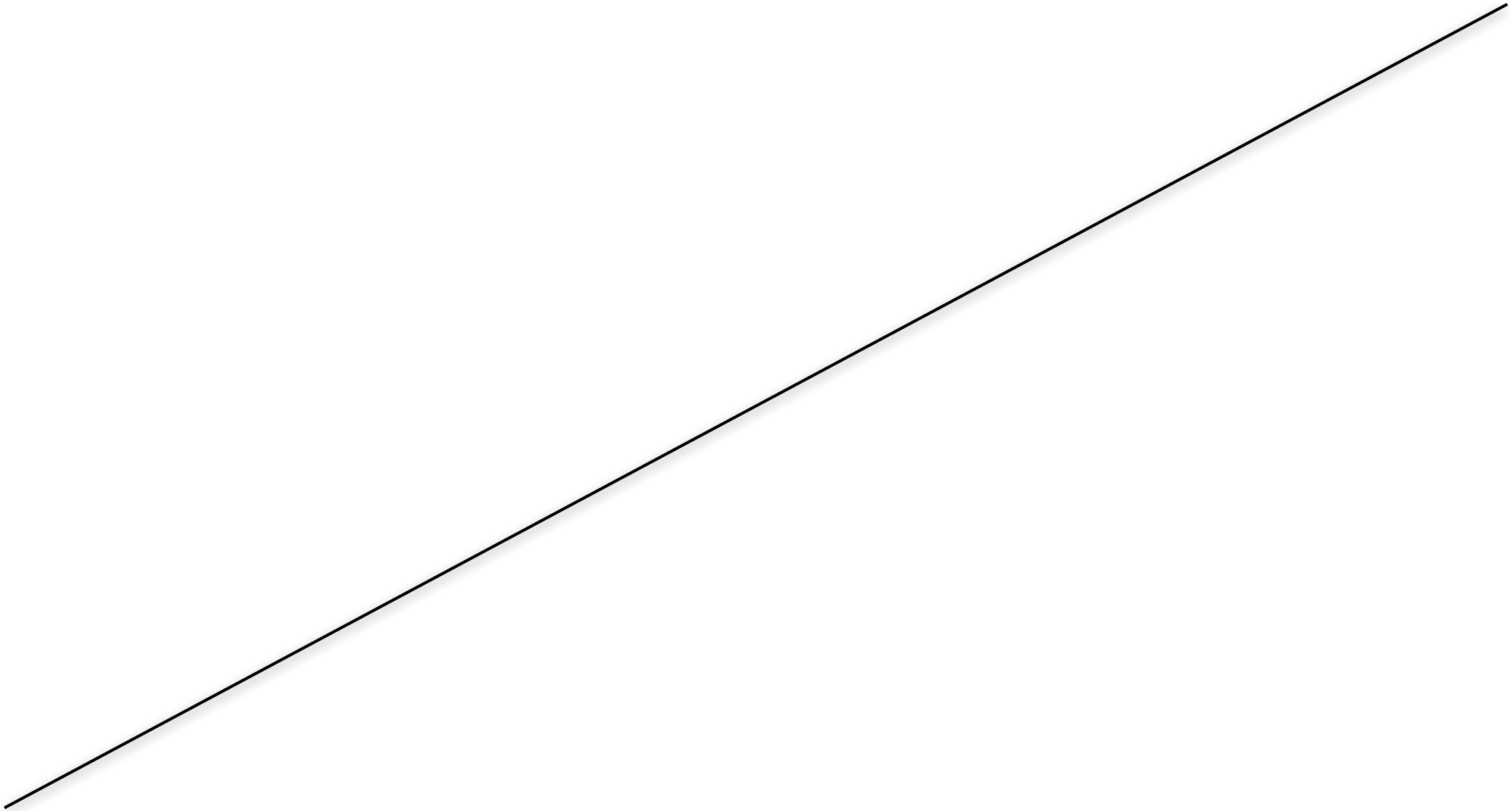
$$PS_{\text{after floor}} = \frac{[(14-2)+(14-4)]\times 4}{2} = 44$$

CS at equilibrium

CS after Floor

PS
after
floor


WL



$$WL_{\text{after floor}} = \frac{(14-4)x(10-4)}{2} = 30$$

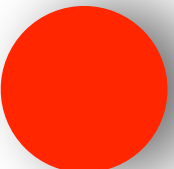
Lost CS
Gained PS

Tax to Consumer Subsidy to Producer

$$\text{Tax/Subsidy} = (14 - 7) \times 4 = 28$$

7

Surplus = 23 - 4



$$CS_{\text{at Equilibrium}} = \frac{(18-7) \times 10)}{2} = 55$$

$$PS_{\text{at Equilibrium}} = \frac{(7-2) \times 10)}{2} = 25$$

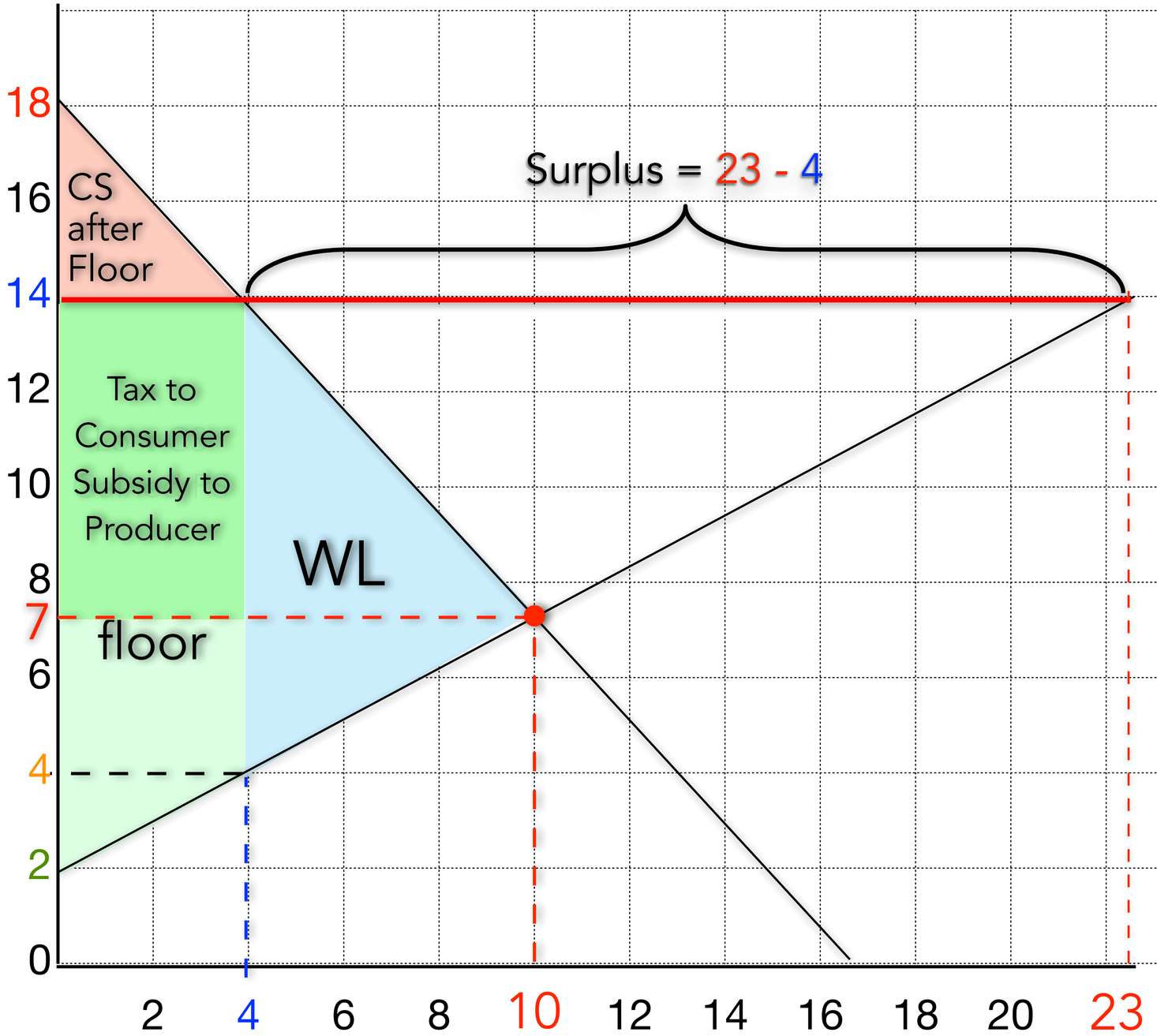
Government impose a Price Floor at $14

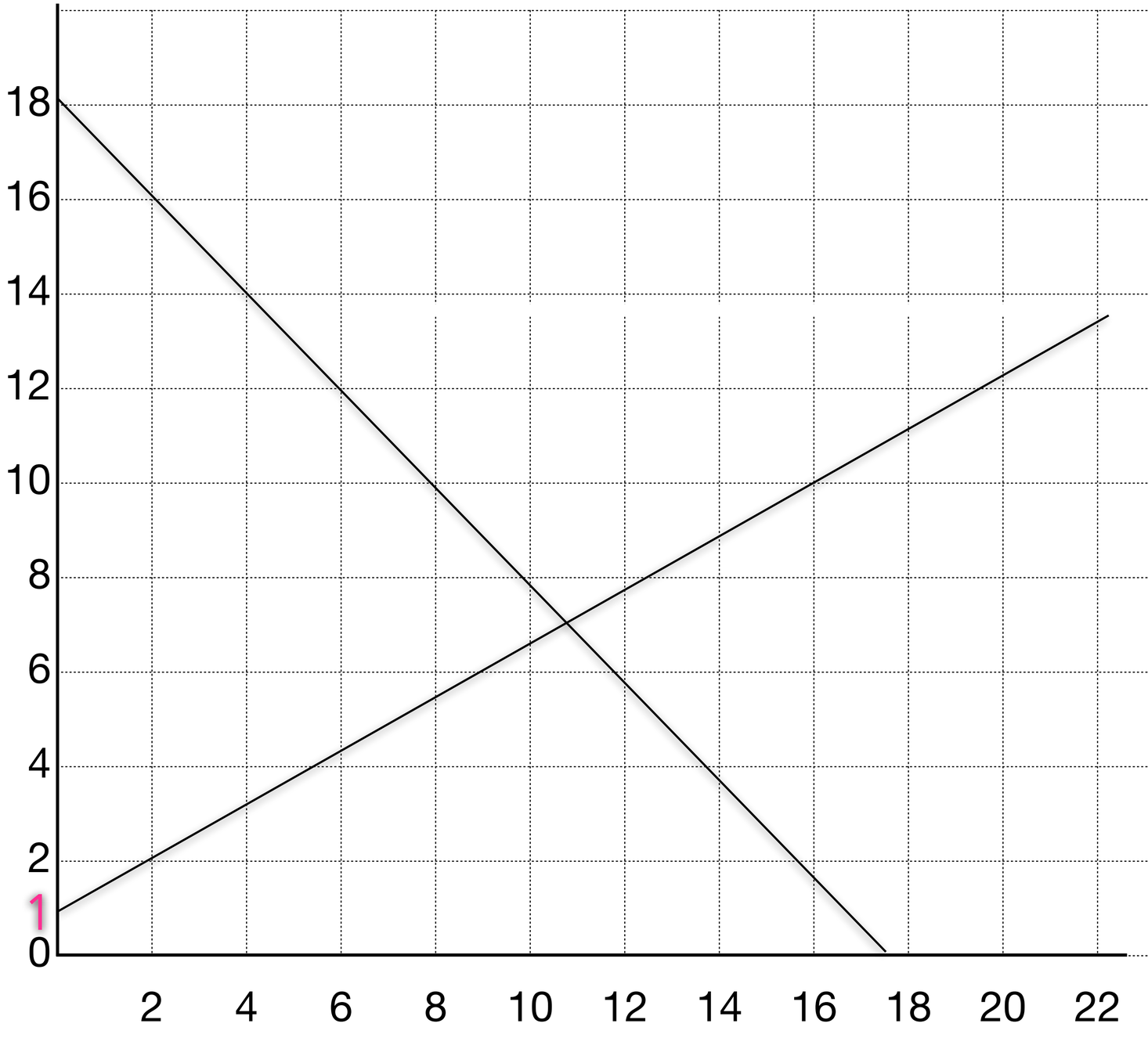
$$CS_{\text{after floor}} = \frac{(18-14) \times 4}{2} = 8$$

$$PS_{\text{after floor}} = \frac{[(14-2)+(14-4)] \times 4}{2} = 44$$

$$WL_{\text{after floor}} = \frac{(14-4) \times (10-4)}{2} = 30$$

Tax/Subsidy = (14 -7) x 4 = 28




18
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