

P<sub>2</sub>

P

e



PO

Q.0

Q\_e

**Q1**







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**B**

C



**E**

G





**F**

J

**K**





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Example: At  
equilibrium the  
price is  $P_e$



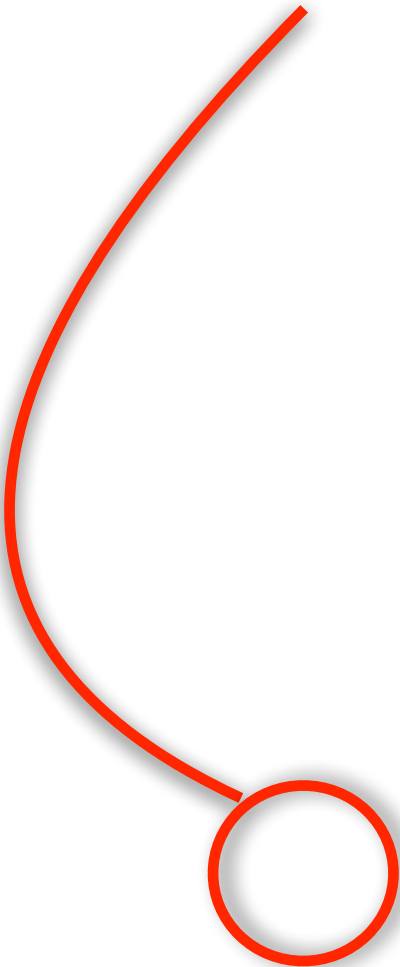
Consumer Surplus = The  
triangle area below the  
demand line and above the  
price the consumer pays



CS

$$\text{Consumer Surplus} = \text{Areas L} + \text{K} + \text{G}$$

Producer Surplus is the triangle area above the supply line and below the price the producer receives



Producer Surplus = Areas J + H + I



PS





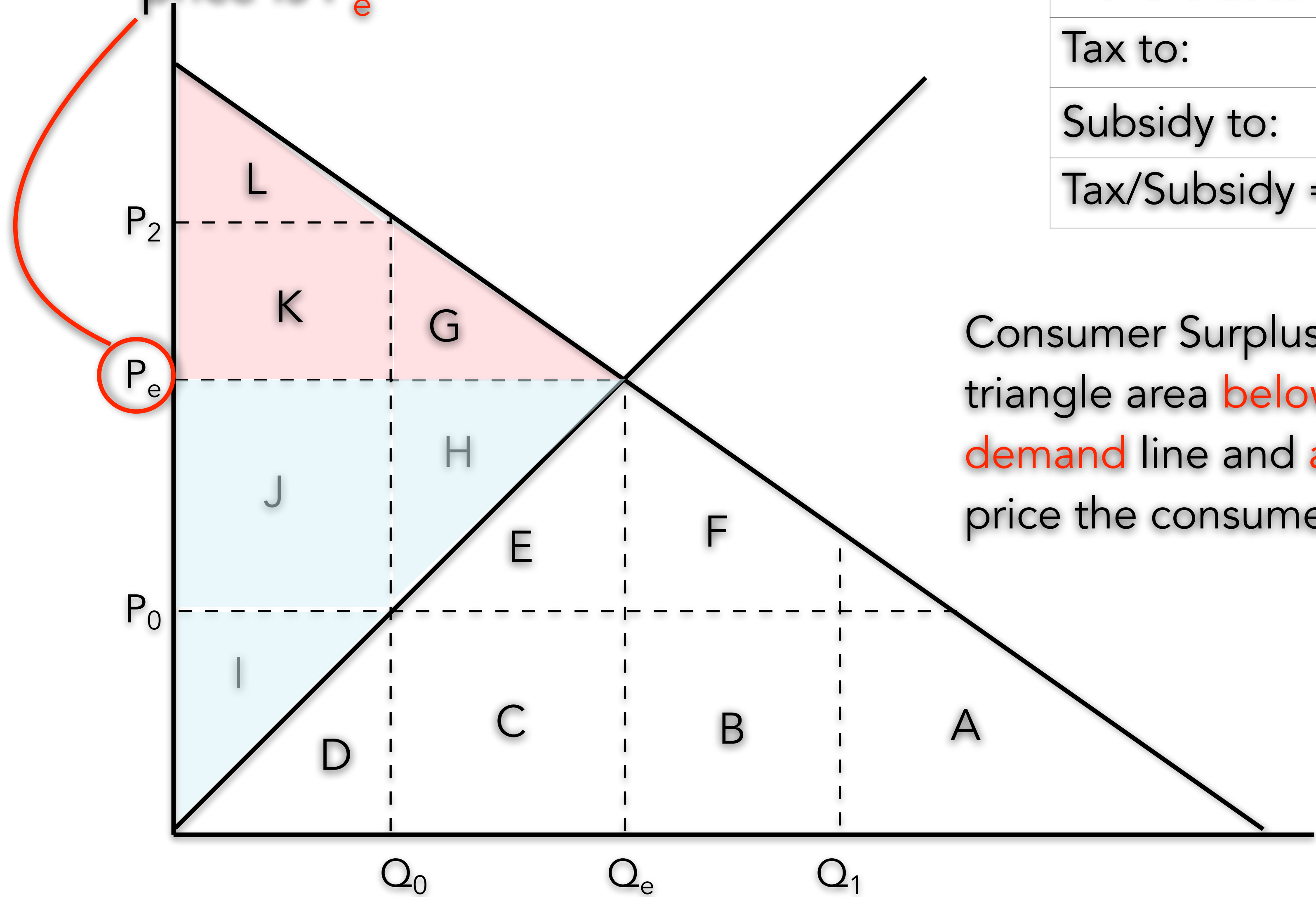
Welfare Loss = Zero

Tax to:      There is no redistribution

Subsidy to:      There is no redistribution

Tax/Subsidy = There is no tax or subsidy

Example: At equilibrium the price is  $P_e$



|                    |                            |
|--------------------|----------------------------|
| Consumer Surplus = | Areas L + K + G            |
| Producer Surplus = | Areas J + H + I            |
| Welfare Loss =     | Zero                       |
| Tax to:            | There is no redistribution |
| Subsidy to:        | There is no redistribution |
| Tax/Subsidy =      | There is no tax or subsidy |

Consumer Surplus = The triangle area **below** the **demand** line and **above** the price the consumer pays

Producer Surplus is the triangle area **above** the **supply** line and **below** the price the producer receives

# Price Floors and Ceilings