



# 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

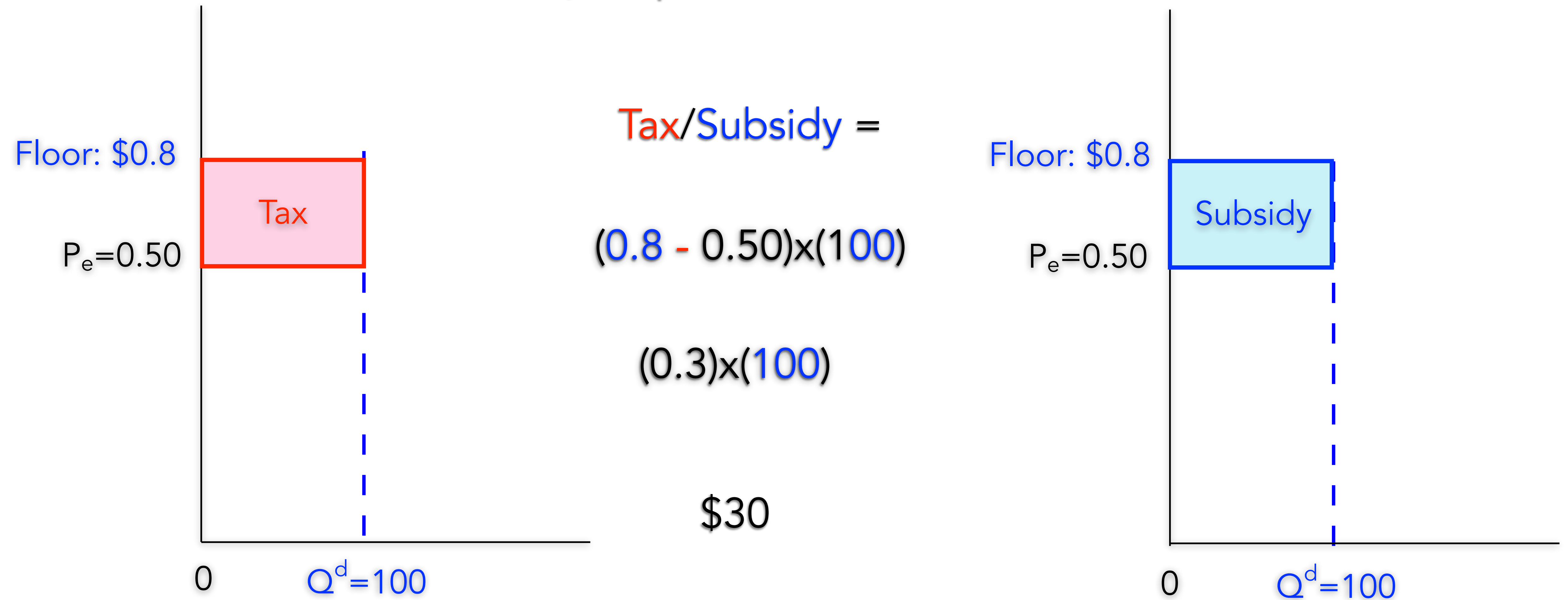
~~Tax~~/Subsidy =

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

$(0.3) \times (100)$

**\$30**

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





# The imposition of a Floor (for example price supports)

