

The government imposes a Price Floor at \$8



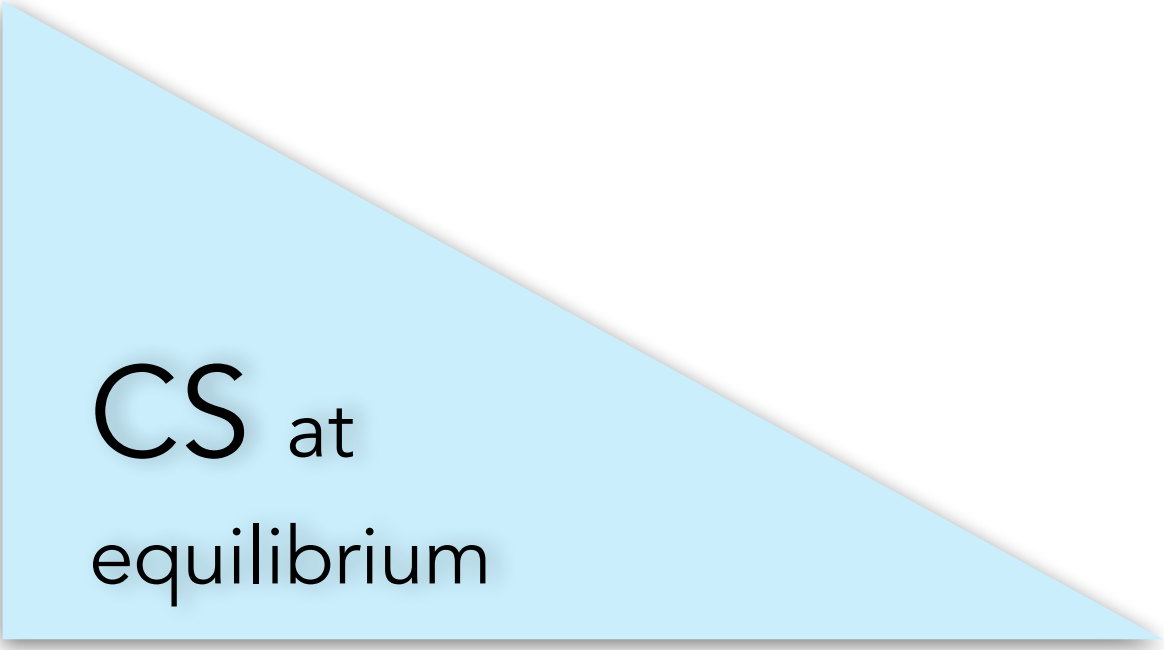


S

\$6



40



CS at
equilibrium

\$8

20

PS at
equilibrium



Taxtoconsumers

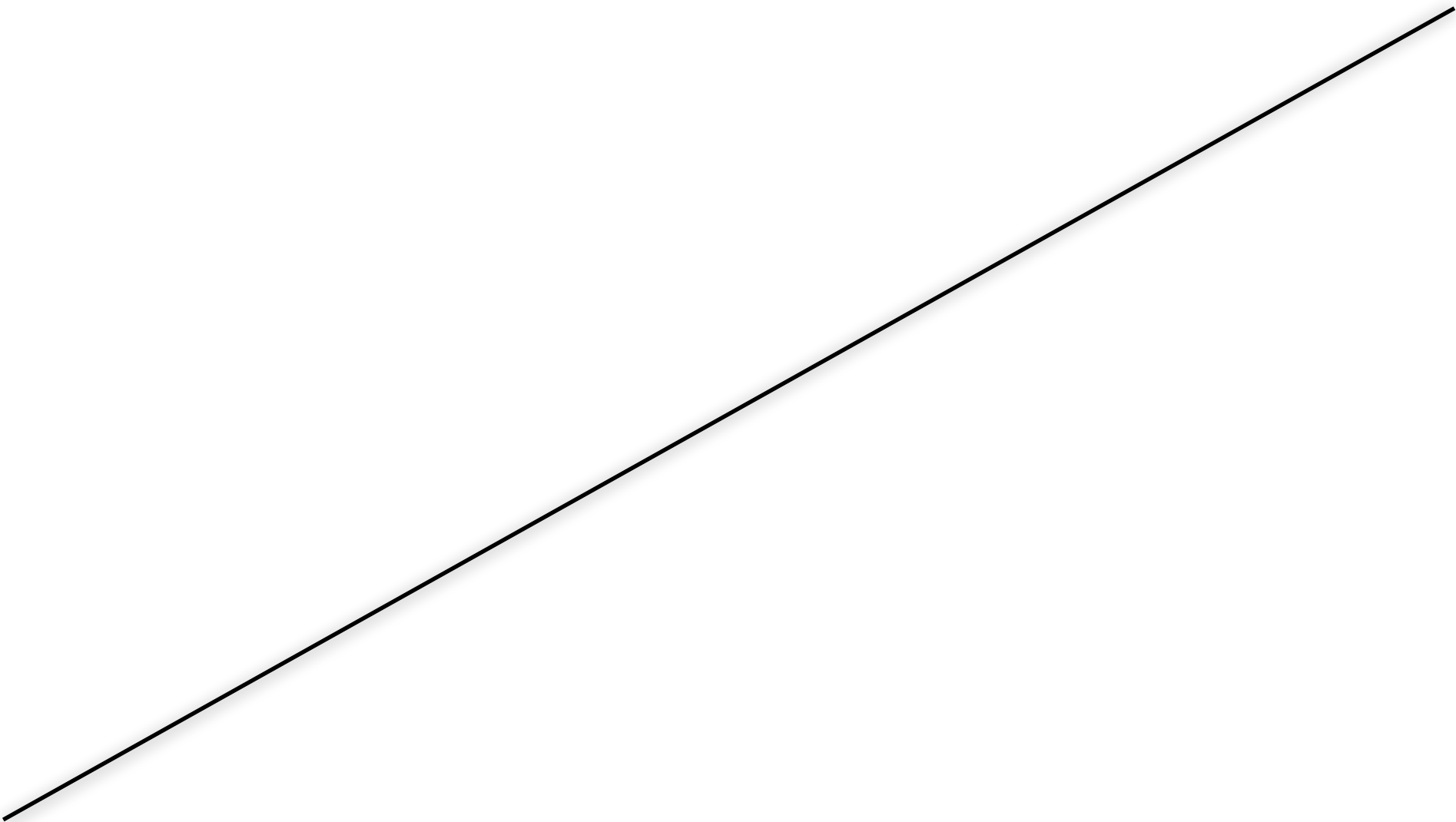
And a subsidy to producers

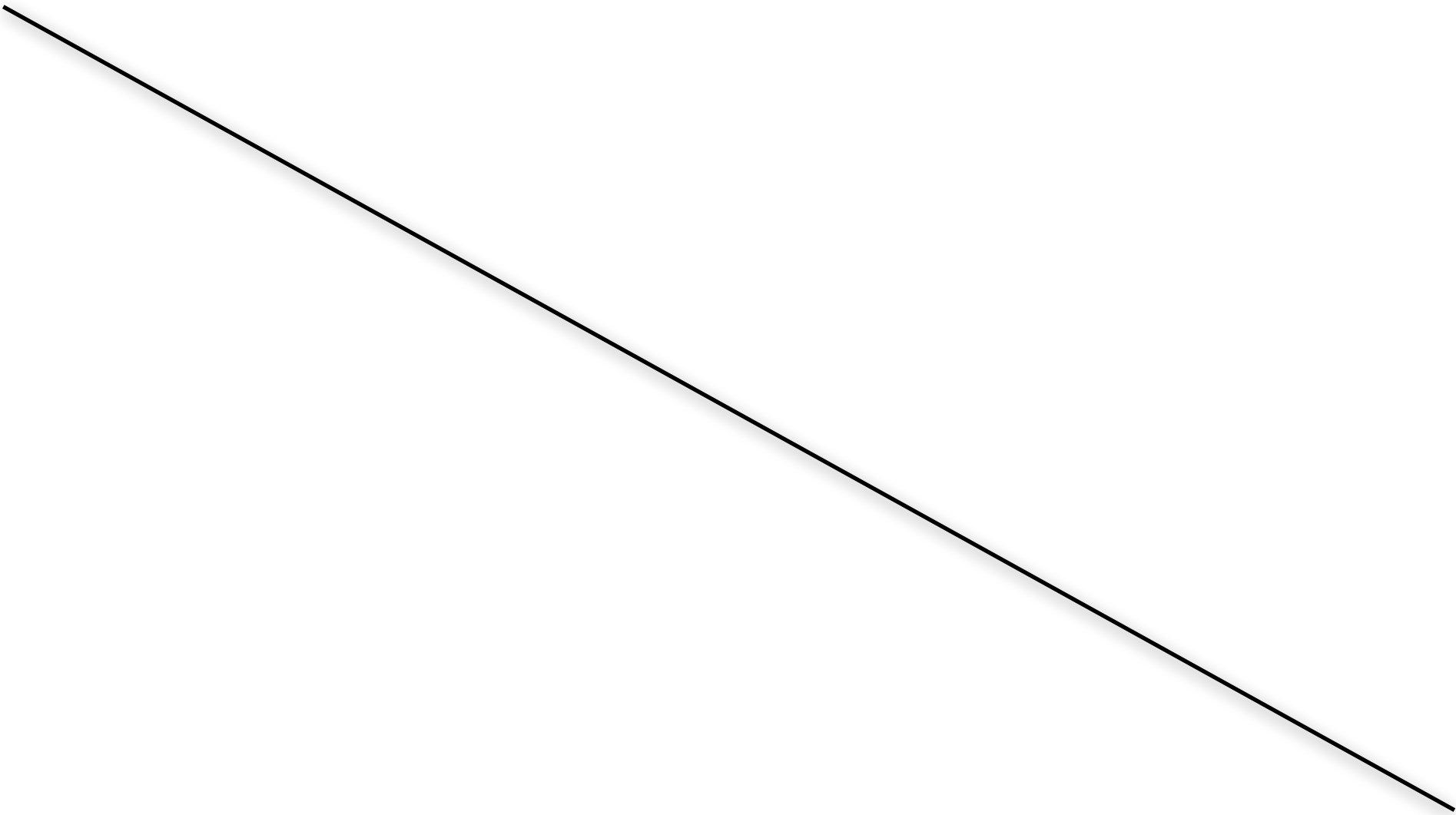


CS



PS





A large, solid red triangle pointing to the right, centered on a white background. The letters 'WL' are printed in black, bold, sans-serif font in the middle of the triangle.

WL

Tax/Subsidy





This area represents both:
Consumer surplus **lost** to
buyers and Producer surplus
gained by sellers

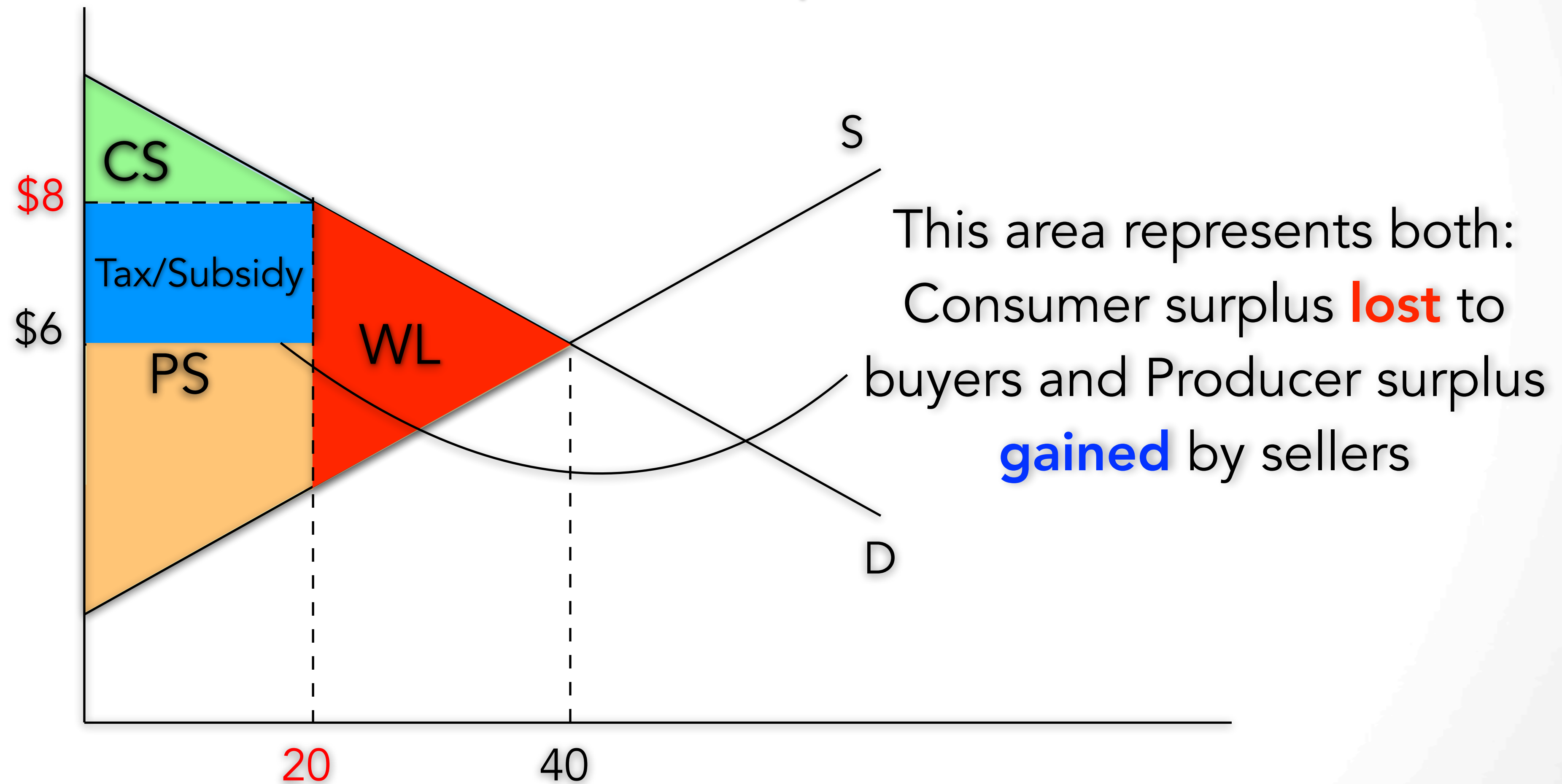


A price floor is equivalent to a

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Tax to consumers

And a subsidy to producers



A price **Ceiling** prohibits prices **above**
the price ceiling

