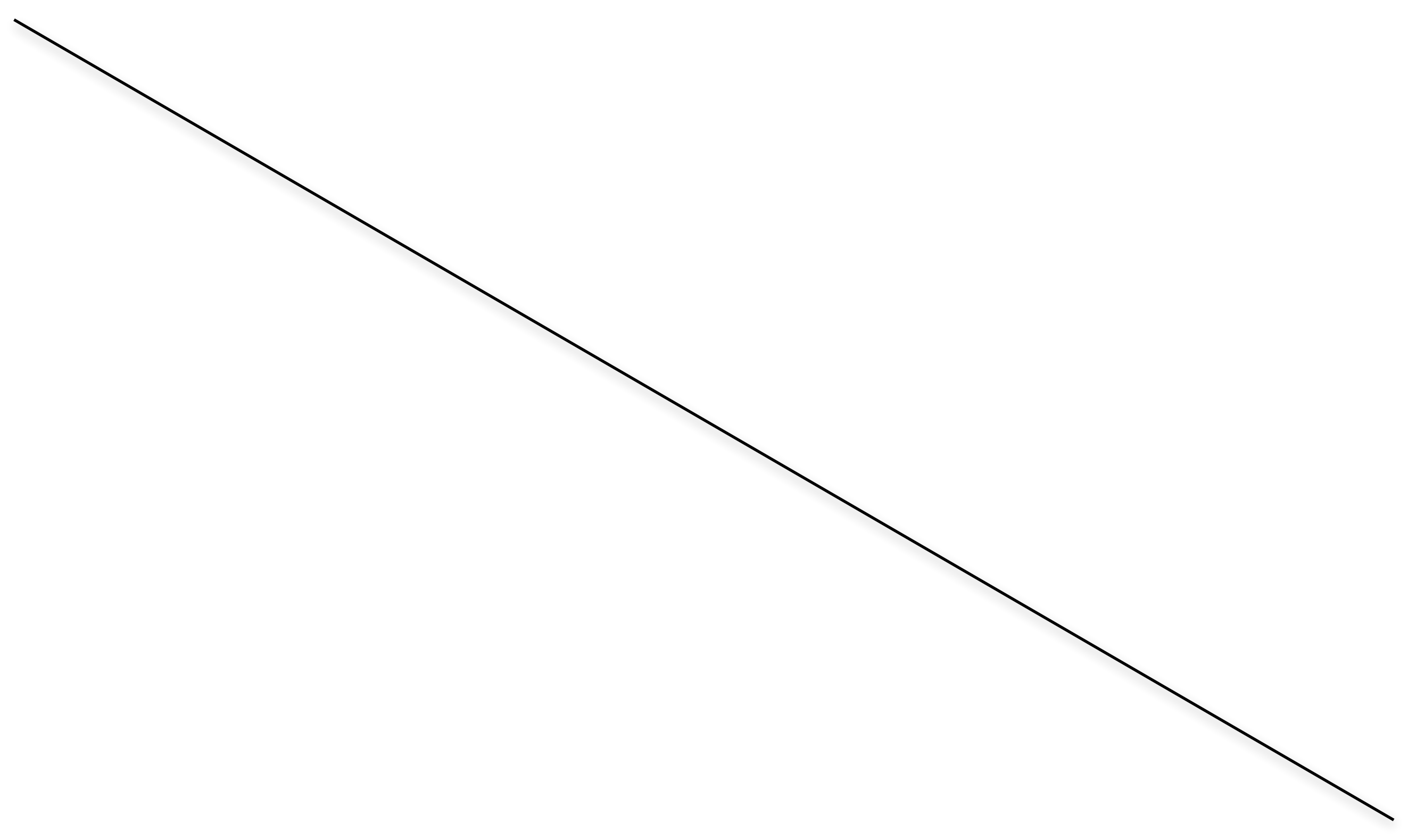


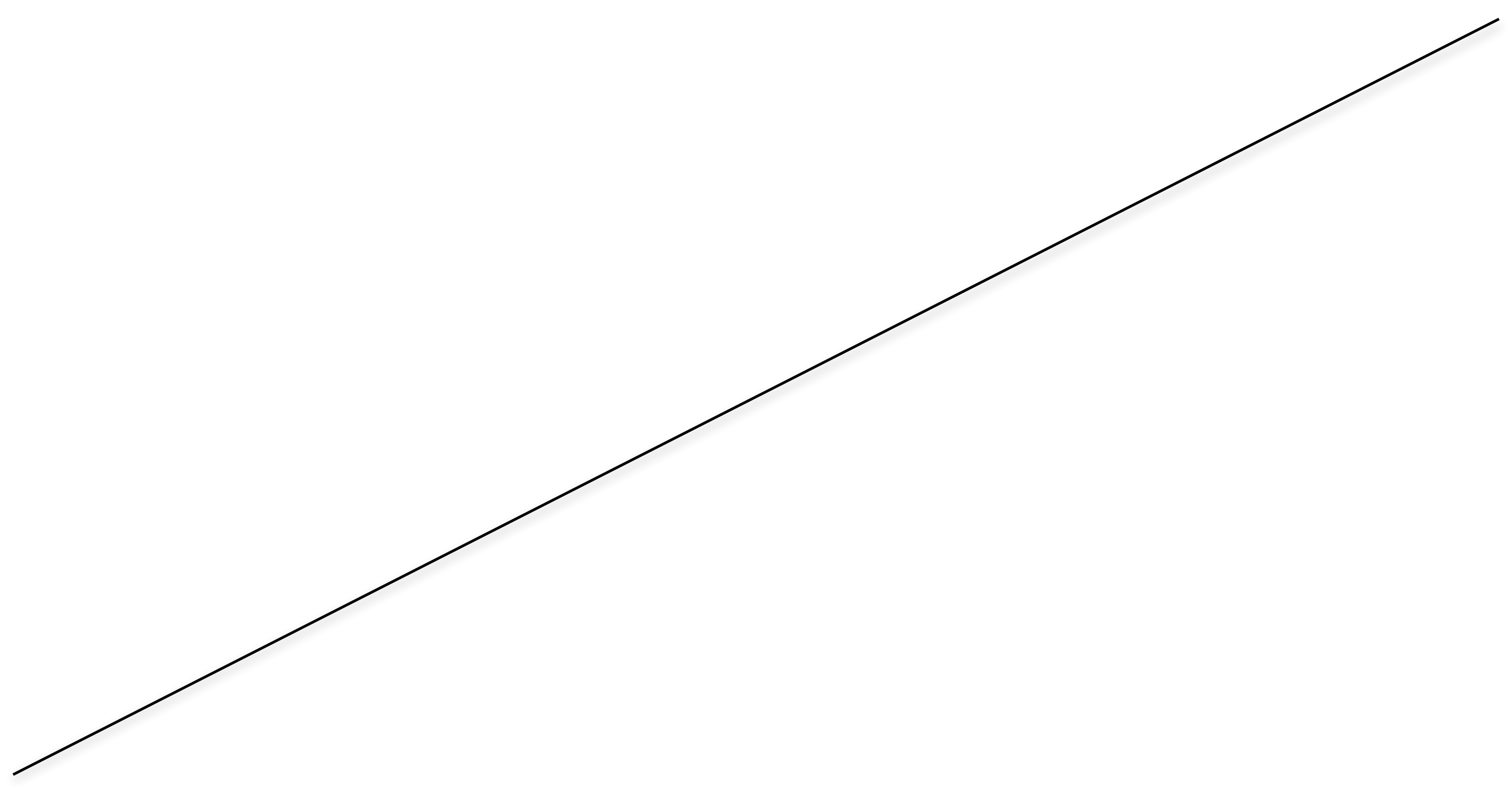
Consider the Corn Market





S

Price Floor: 0.8





$$Q^d = 100$$



$$Q^s = 800$$





$$Q_e = 400$$

$$P_e = 0.50$$

1

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Price Control: The
minimum price is
\$0.80/pound

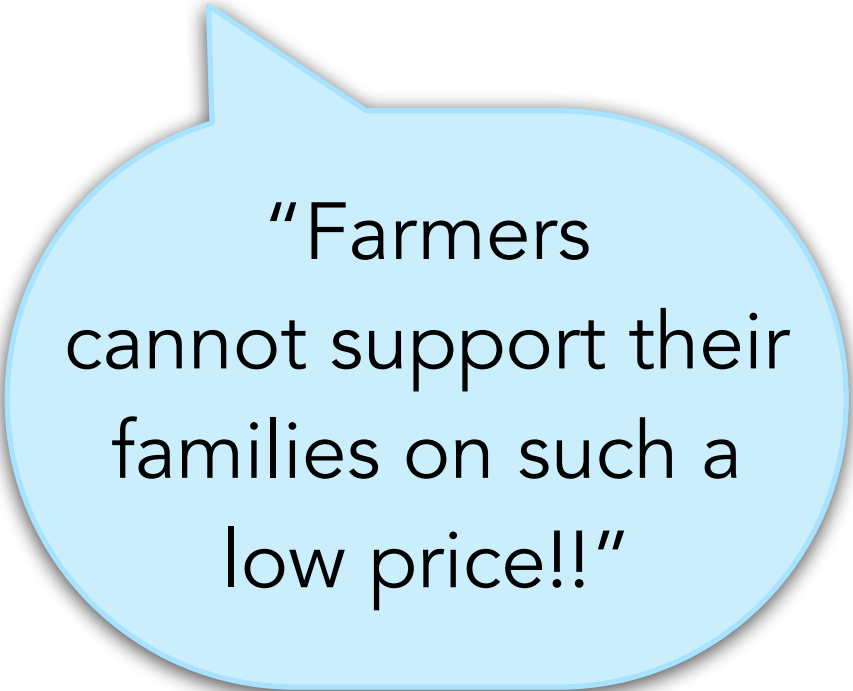


Price Floor

All these prices are
now prohibited

Prevents price
from reaching
equilibrium



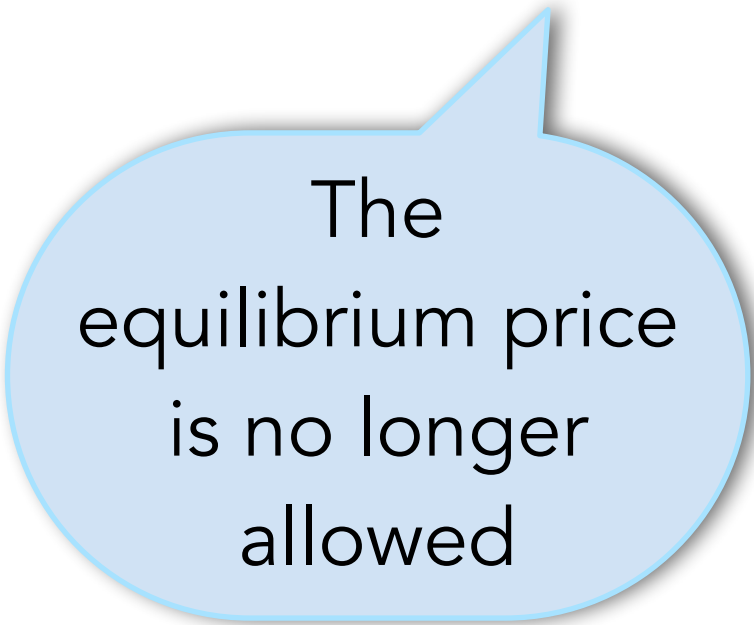


"Farmers
cannot support their
families on such a
low price!!"

If the market is allowed to clear, farmers will get 50 cents/pound

cause a surplus

Suppliers (farmers) ask the government to impose price support



The
equilibrium price
is no longer
allowed

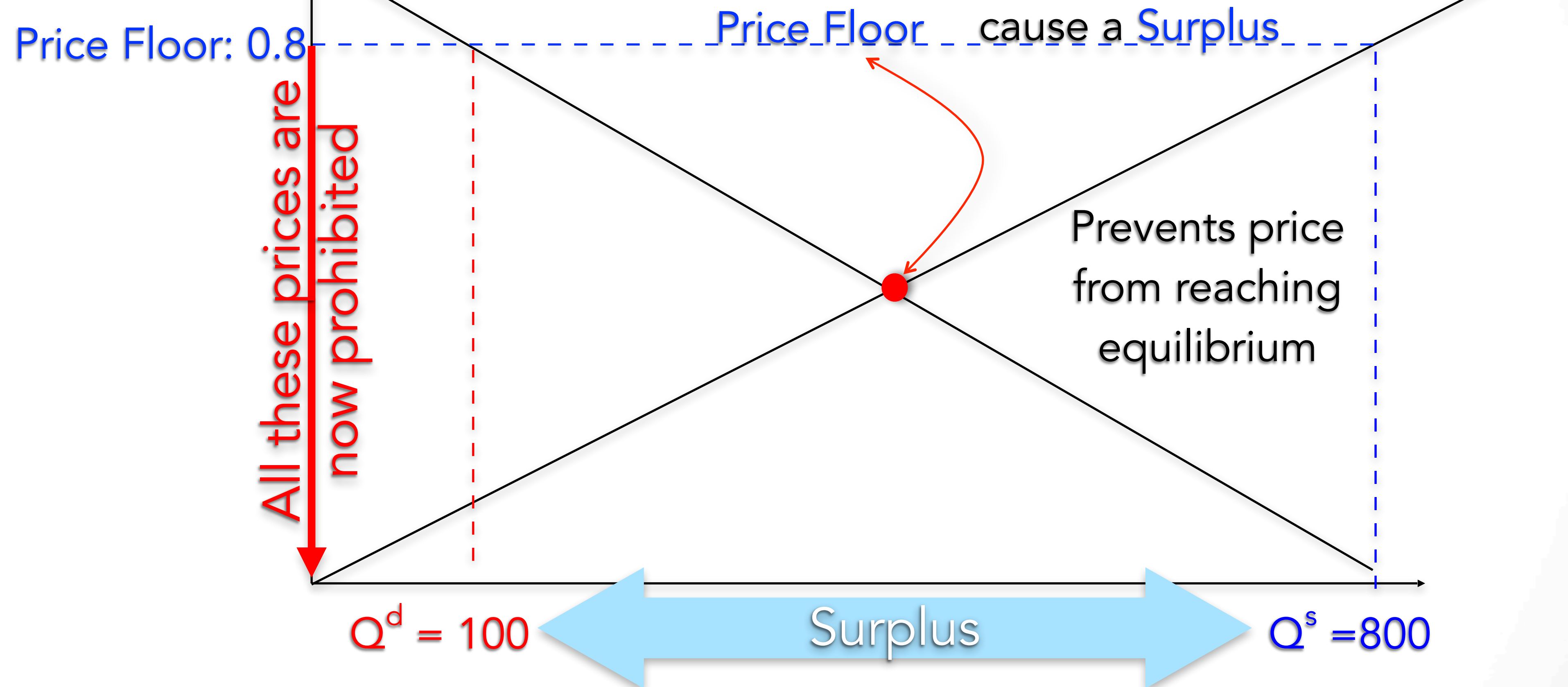




Surplus

Consider the Corn Market

Price Control: The minimum price is \$0.80/pound



Suppliers (farmers) ask the government to impose price support

