

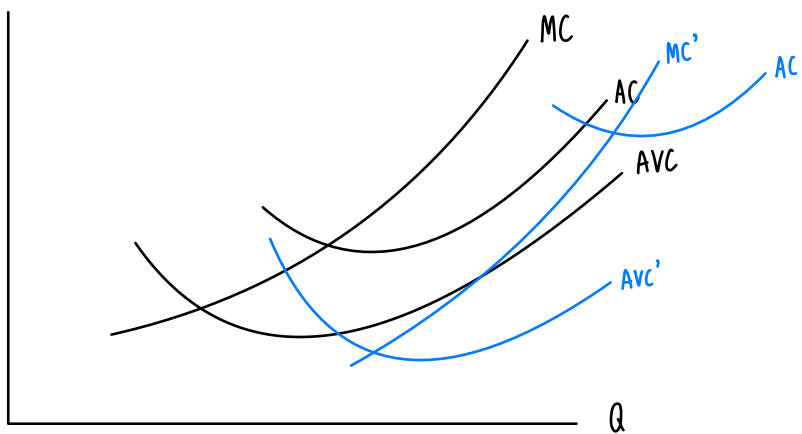
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HW#11, Due May 6, 2021 Analyze the case the firm receives subsidy for the following two different cases to find out how the firm's quantity and profit change.

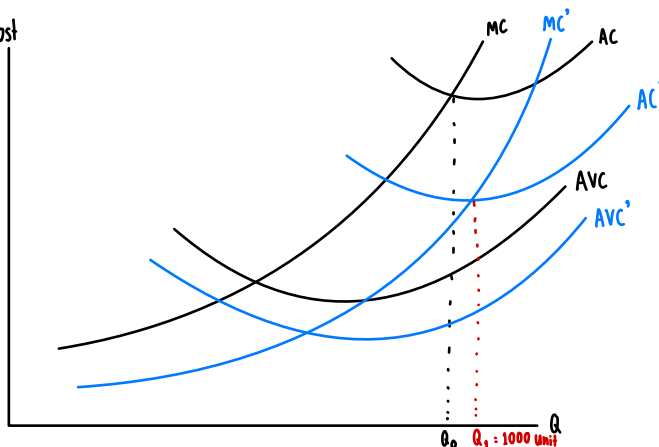
- The government gives a lump sum subsidy of 20,000 bahts to each firm.
- Suppose that the firm was producing 1,000 units and the government gives a subsidy of 20 bahts/unit so the total subsidy is also 20,000 bahts if the firm does not change its production of 1,000 units. Do you think, to maximize its profit with the subsidy of 20 bahts/unit, the firm will increase/decrease its production from 1,000 units? Does the firm receive higher profit? Does the firm receive more/less subsidy than 20,000 bahts?

a.) Cost



Subsidy of 20,000 Bath to firm cause Supply to shift right ($MC = AVC$) to ($MC' = ACV'$)

b.) Cost



If the firm produces more 1000 units are received Subsidy in each unit, then the firm will gain more profit due to the quantity of the production.

From a.) the previous case the government gives subsidy 20,000 baht to the firm, it just a big sum of money. However, receive Subsidy of 20 bath (Unit is better way to gain more profit that 20,000 baht.