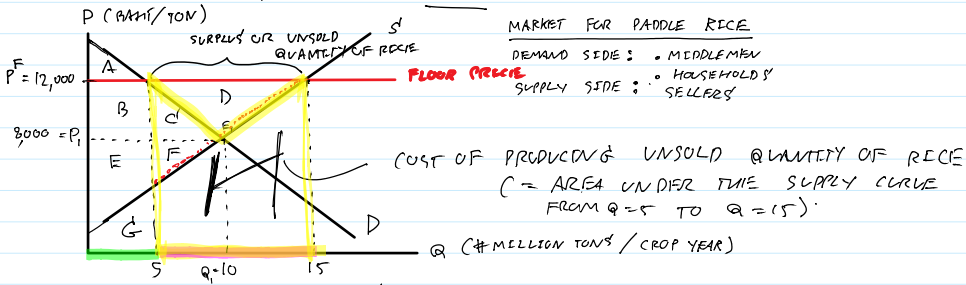


PRICE FLOOR: A LEGALLY MINIMUM PRICE SELLERS MUST GET WHEN THEY SELL THEIR GOODS

A-ZM : TO HELP "SELLERS"



FACT# 1: AT $P^F = 12,000$, $Q^S > Q^D$. SURPLUS OCCURS.

FACT# 2: WHO GAIN / WHO LOSE

	FREE MKT	PRICE FLOOR	Δ
CONSUMER SURPLUS	A+B+C	A	-B-C! WORSE OFF ☹️
PRODUCER SURPLUS	E+F	B+E-H	(B+E-H) - E-F = B-F-H WORSE OFF ☹️
TOTAL SURPLUS	A+B+C+E+F	A+B+E-H	-H-C-F

- CONSUMERS LOSE ☹️
- PRODUCERS LOSE ☹️
- SOCIETY LOSE ☹️

FACT# 3: IF FARMERS KNOW THAT THEY CAN SELL ONLY 5 MILLION TONS AND THEY THEN PRODUCE ONLY 5 MILLION TONS, WHAT WILL BE THE RESULT?

	B/F	A/F	Δ
CS	A+B+C	A	-B-C! ☹️ WORSE OFF
PS	E+F	B+E	(B+E) - (E+F) = B-F ☺️ BETTER OFF
TS	A+B+C+E+F	A+B+E	-C-F

RESULTS B/C! LOSS TO THE CONSUMERS

GAIN TO THE PRODUCERS

POSITIVE ANALYSIS

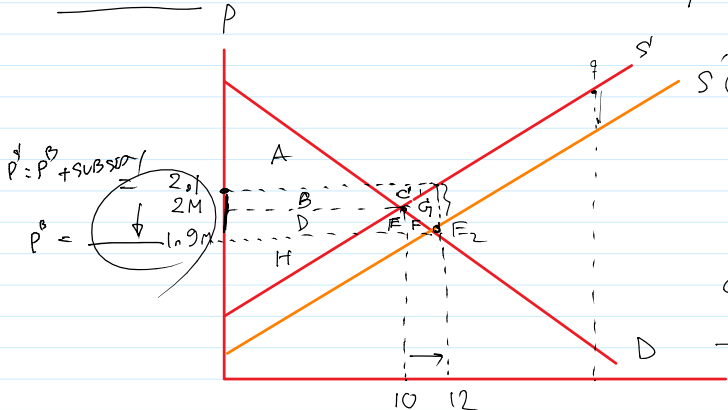
- WHAT IS?
- WHAT WAS?
- WHAT WILL BE?

VS. NORMATIVE ANALYSIS

- WHAT OUGHT TO BE?
- (VALUE JUDGEMENTS INVOLVED)

EXERCISE

HOUSING SUBSIDY: GIVE SELLERS 200,000 RM/HOUSE FOR EVERY HOUSE THEY PRODUCE.



	B/F	A/F	Δ
CS	A+B		
PS	D+H		
GOVT	0		
TS	A+B+D+H		

Q (MILLION HOUSES / YEAR)