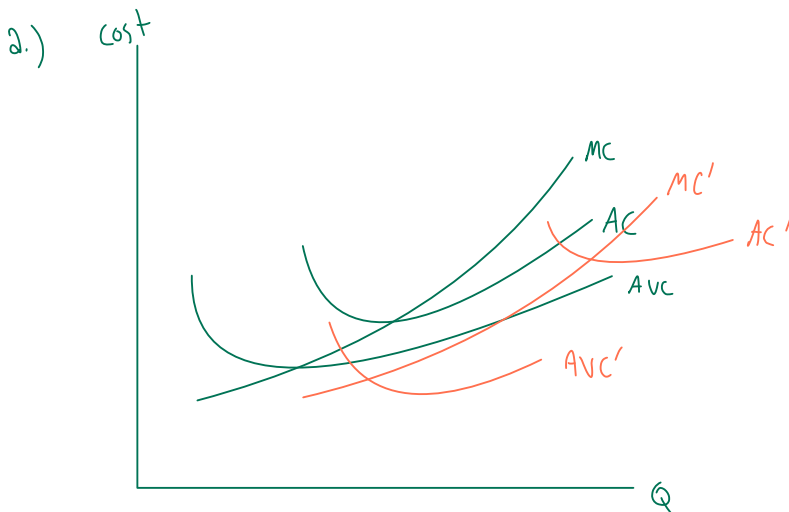
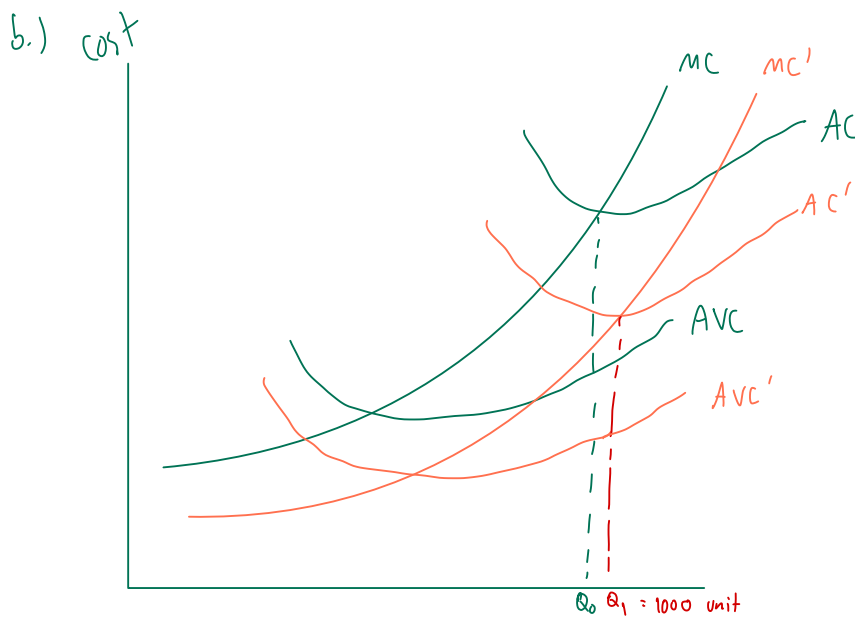


HW#11, Due May 6, 2021 Analyze the case the firm receives subsidy for the following two different cases to find out how the firm's quantity and profit change.

- 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?



subsidy of 20000 baht to firm cause
supply to shift right ($MC = AVC$)
to ($MC' = AVC'$)



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

From 2.) 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 baht/unit is better way to
gain more profit than 20000 baht.