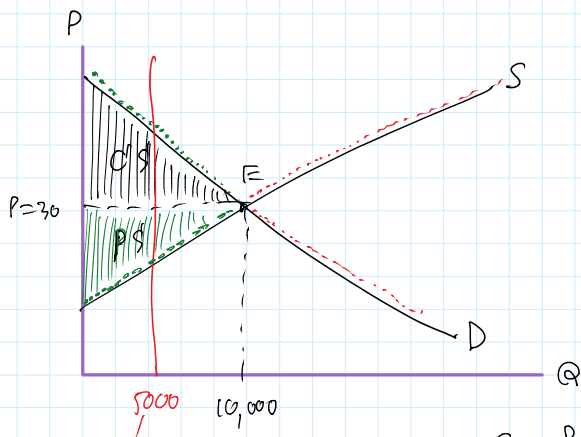


(version)

# # DEMAND, SUPPLY, AND APPLICATIONS



MARKET FOR 2<sup>ND</sup> TEXTS

AT E,  $P = 30$ ,  $Q = 10,000$  ( $Q^D = Q^S$ )

9 TOTAL SURPLUS = TOTAL CS + TOTAL PS  
(= ECONOMIC PDE)

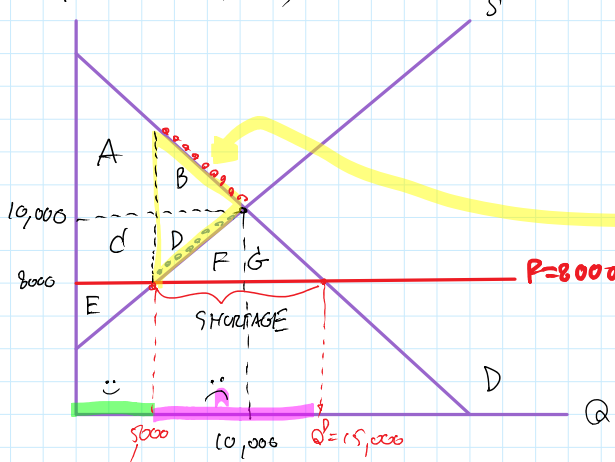
## 3 APPLICATIONS :

- ① PRICE CEILING
- ② PRICE FLOOR
- ③ TAXES & SUBSIDY LEGALLY

# PRICE CEILING : THE (= HIGHEST) MAXIMUM PRICE THAT SELLERS CAN CHARGE TO THE BUYERS.

PURPOSE : TO HELP BUYERS TO BE ABLE TO AFFORD

P (RANT/ROOM/MONTH) THE GOOD.



MARKET FOR APARTMENTS

	B/F	A/F	$\Delta$
CS	A+B	A+C	$(A+C) - (A+B) = -B+C > 0$ 😊
PS	C+D+E	E	$-C-D < 0$ ☹️
TS	A+B+C+D+E	A+C+E	$-B-D$ LOSS IN CS + LOSS IN PS = DEADWEIGHT LOSS.

RESULT #1 AT  $P = 8000$  (CEILING PRICE), SHORPAGE OCCURS AS  $Q^D > Q^S$   
15,000 > 5,000

EXCESS DEMAND = 15,000 - 5,000 = 10,000

RESULT #2

THE LIMITED AMOUNT OF ROOMS, HERE, 5,000 ROOMS WILL BE ALLOCATED BY ...

NON-PRICE METHODS

- LUCKY DRAWS (RANDOMIZATION)
- FIRST COME - FIRST SERVED
- DISCRIMINATION BY RACE, BY GENDER, BY THE LOOK, ETC.

THIS DO NOT GUARANTEE THAT THOSE WHO VALUE THE GOOD MOST HIGHLY MIGHT NOT GET THE GOOD.

EX

A GUY FROM MAE HONG SON  
w/ WTP = 12,000

VS

A GUY LIVE AT VORSAK  
w/ WTP = 3,000

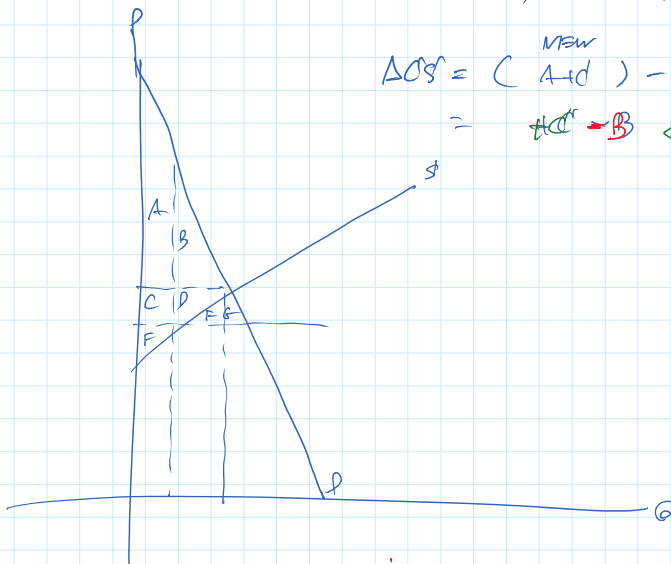
- WASTEFUL RESOURCES RESULTS
- IF FIRST COME FIRST SERVED IS USED.

RESULT #3

WHO GAINS / WHO LOSES ?

- BUYERS ARE BETTER OFF AS  $-B + C > 0$  😊
- SELLERS ARE WORSE-OFF AS NEW PS < OLD PS ☹️

$$\Delta CS = (A + D) - (A + B) = C - B < 0$$



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

GOAL

TO HELP SELLERS TO GET A BETTER PRICE.

P (MHR/TON)

MARKET FOR PADDLE RICES

MIDDLEMAN (D)

RECE FORMER (S)

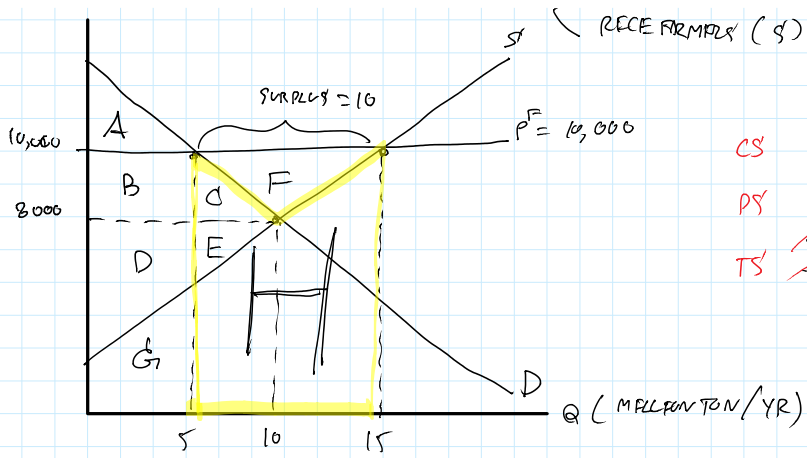


SURPLUS = 10

PERFECT COMPETITION

UNIFORM PRICE





PERFECT COMPETITION

CS  $A+B+FC'$

PS  $D+E$

TS  $A+B+D'$   
 ~~$D+E$~~

UNIFORM PRICE FLOOR

$A$

$-B-C$  ☹️

$+B+D-H$

$+B-E-H$  ☹️ ☹️

$A+B+D-H \rightarrow -C-E-H$

"DWL" ☹️

RESULT #1 : AT  $P^F = 10,000$ , SURPLUS OCCURS AS  $Q^S > Q^D$

OR  
IN SOLD  
QUANTITY  
OF RECE

RESULT #2 : DOES IT REALLY HELP FARMERS AS GOVT. DESIRES ?