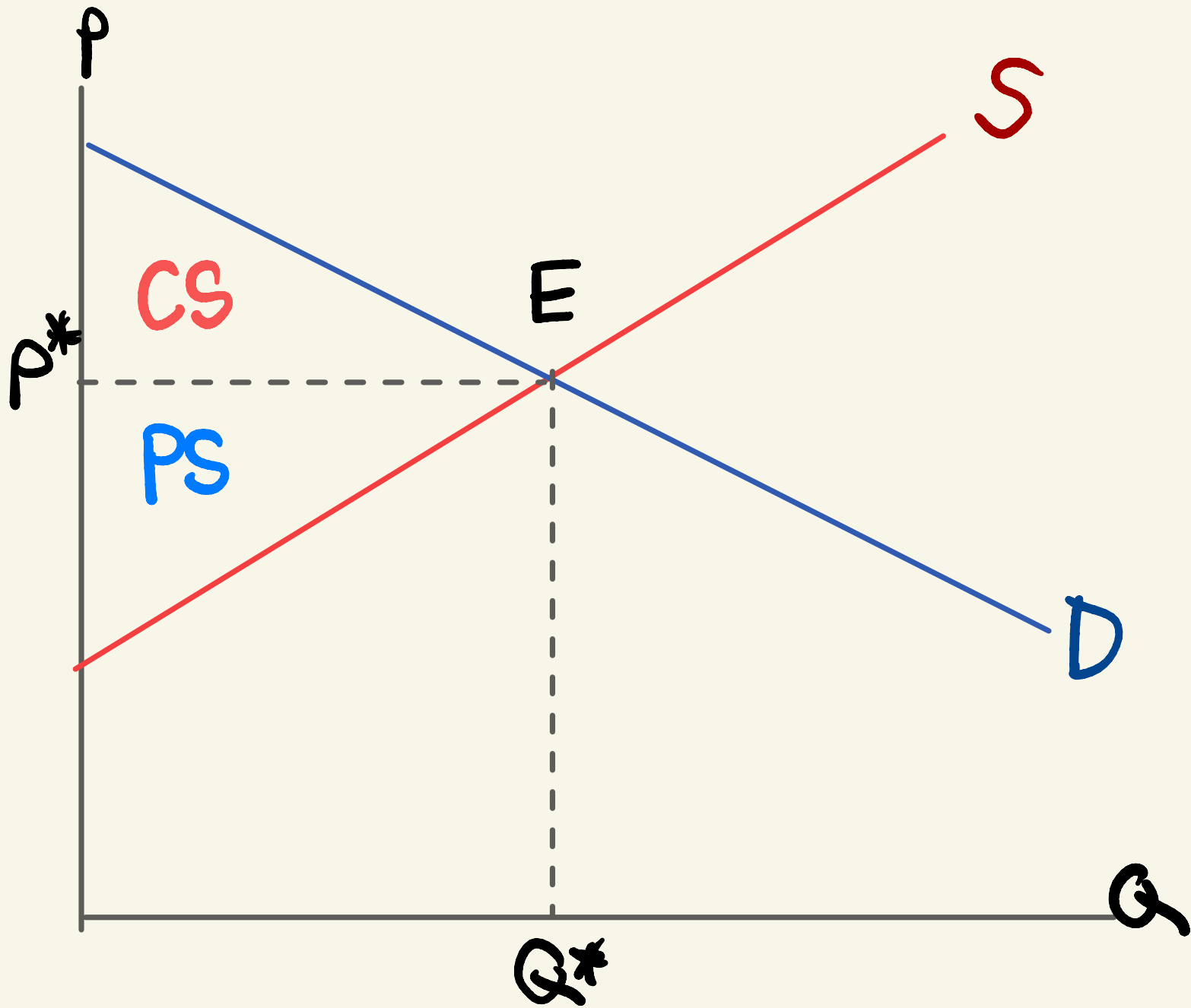
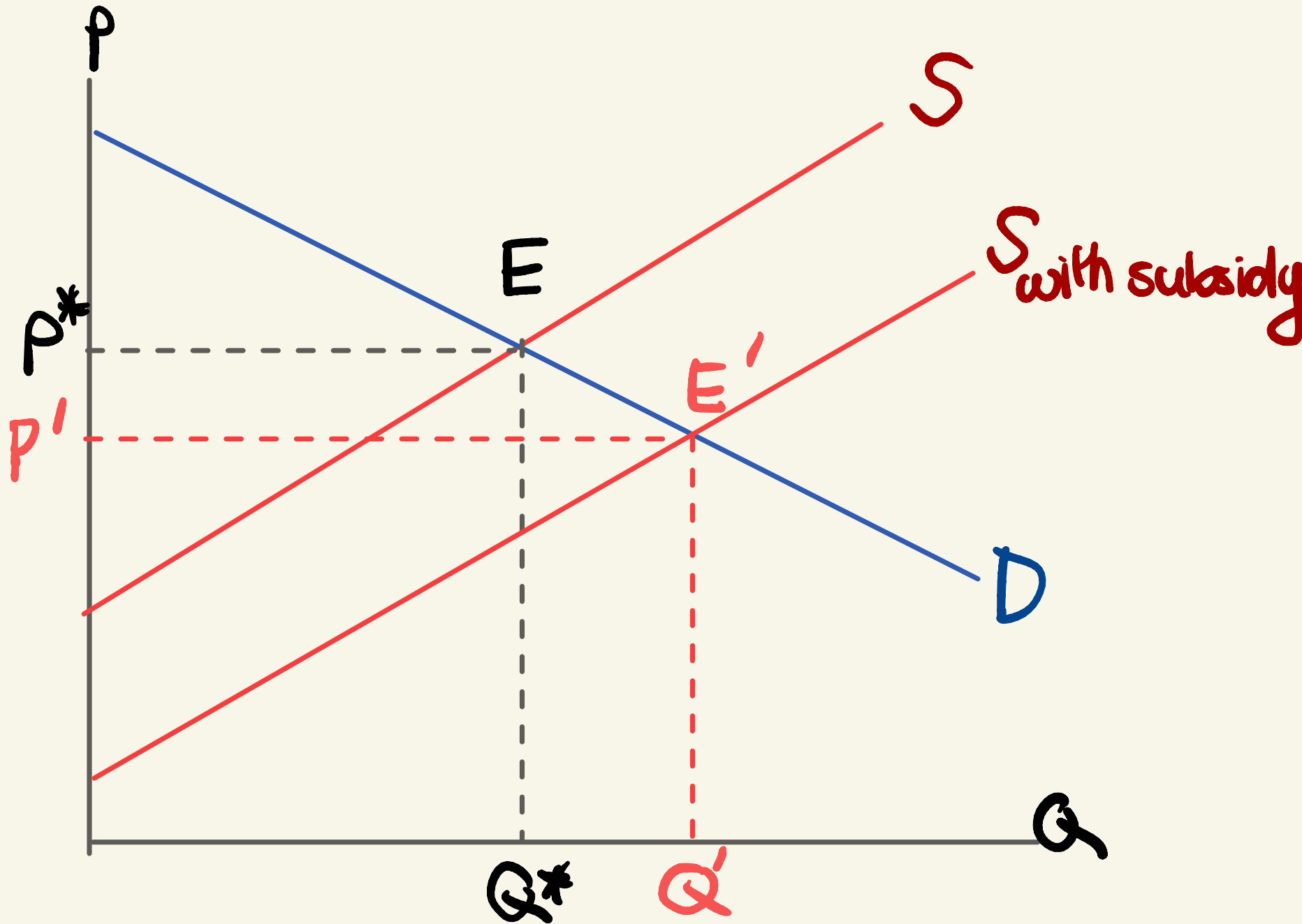


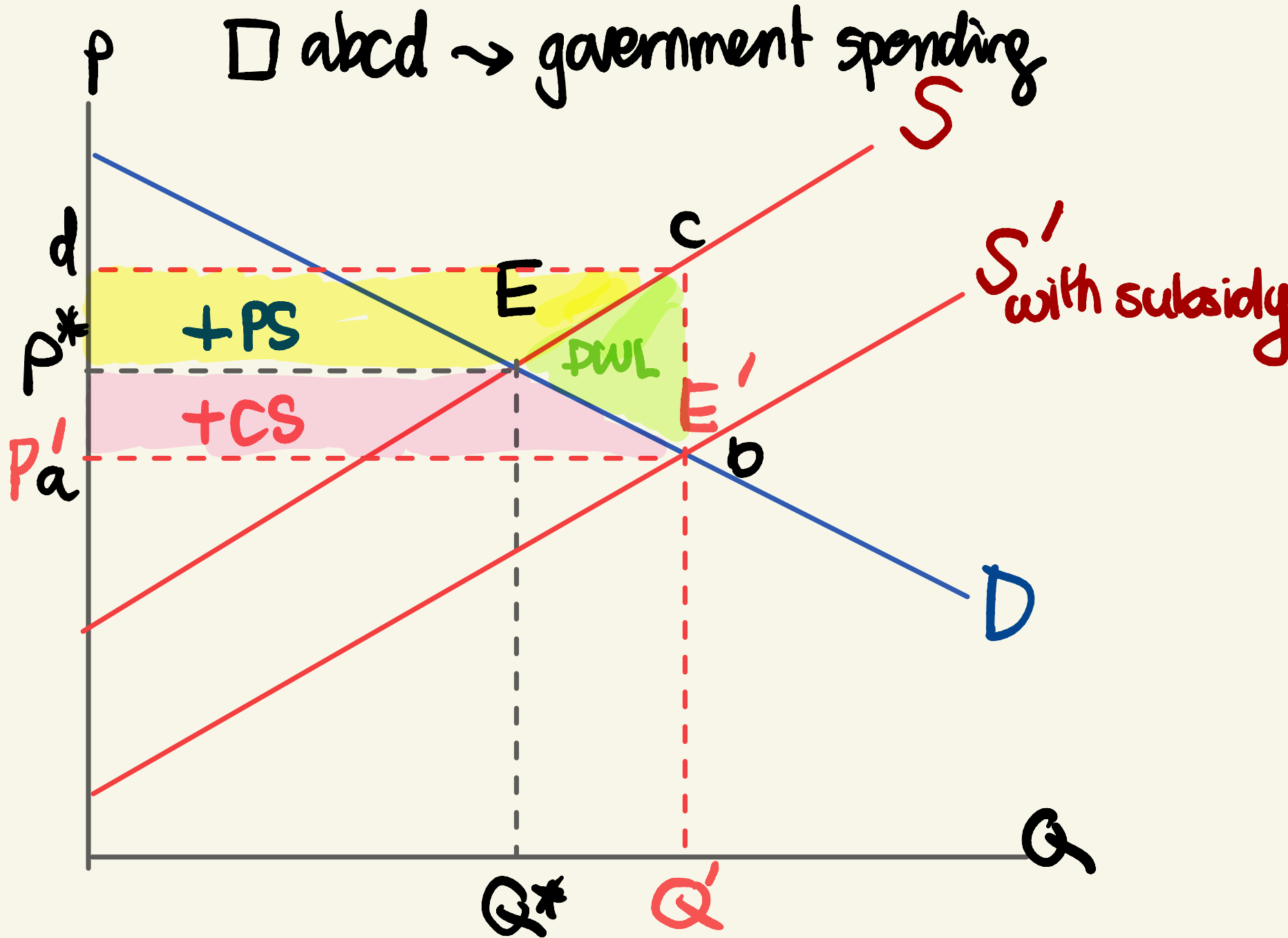

Subsidy



Before any government intervention



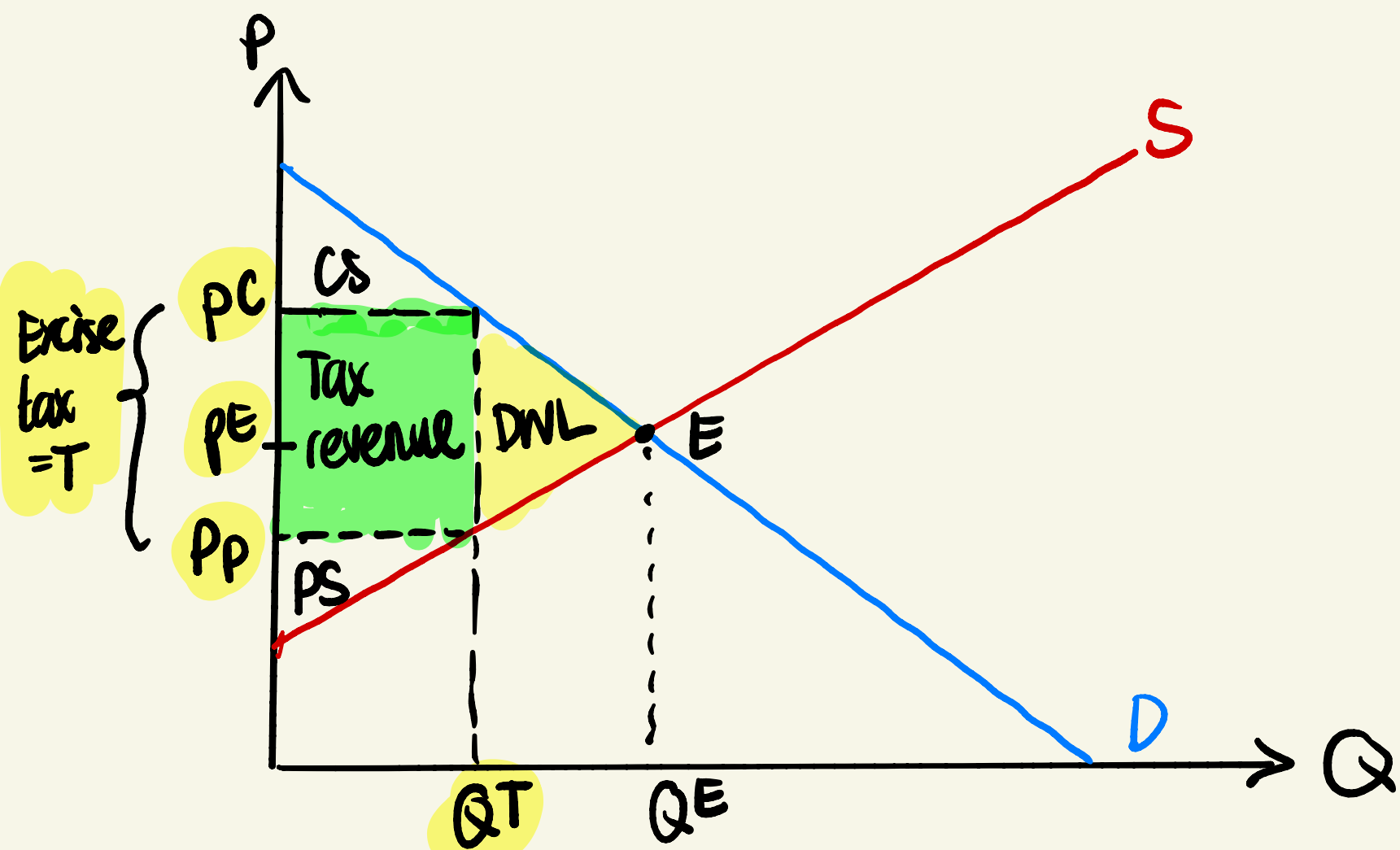
Subsidy



Subsidy

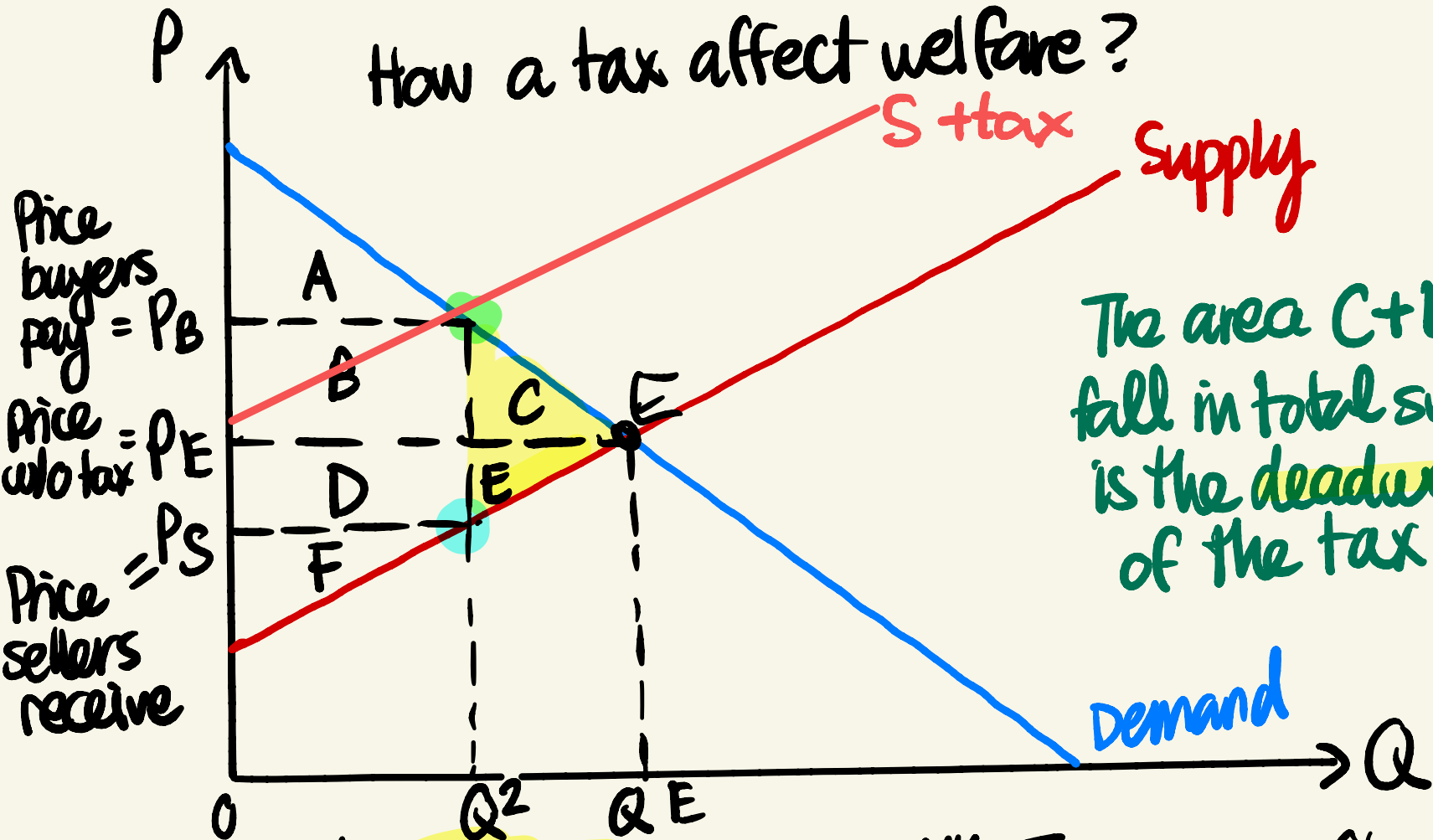
$Q' > Q^*$

Tax



$$Q^T < Q^E$$

How a tax affect welfare?



	Without Tax	With Tax	Change
CS	$A+B+C$	A	$-(B+C)$
PS	$D+E+F$	F	$-(D+E)$
Tax revenue	None	$B+D$	$+(B+D)$
Total surplus	$A+B+C+D+E+F$	$A+B+D+F$	$-(C+E)$