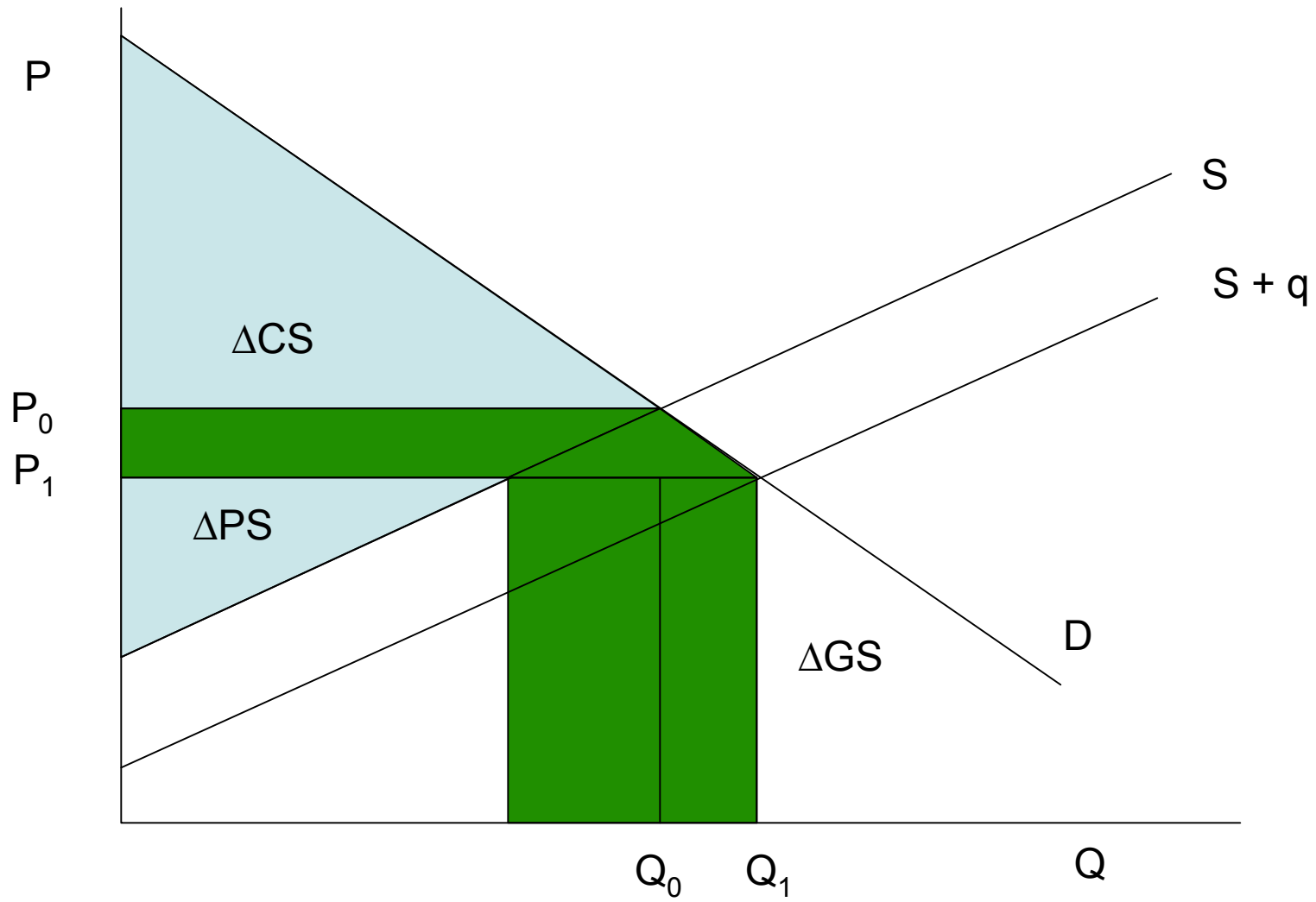


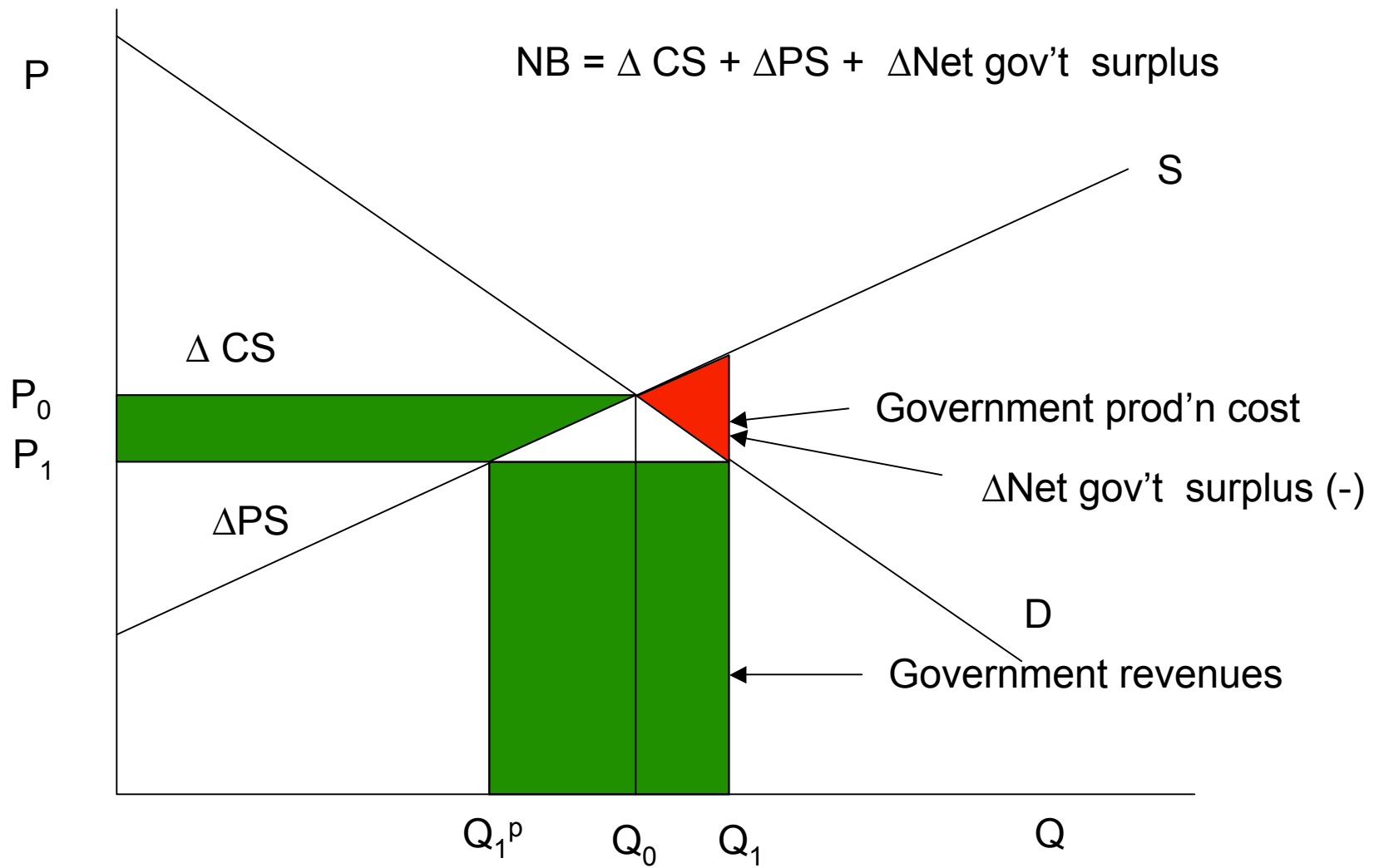
Boardman et al. Figure 4.3



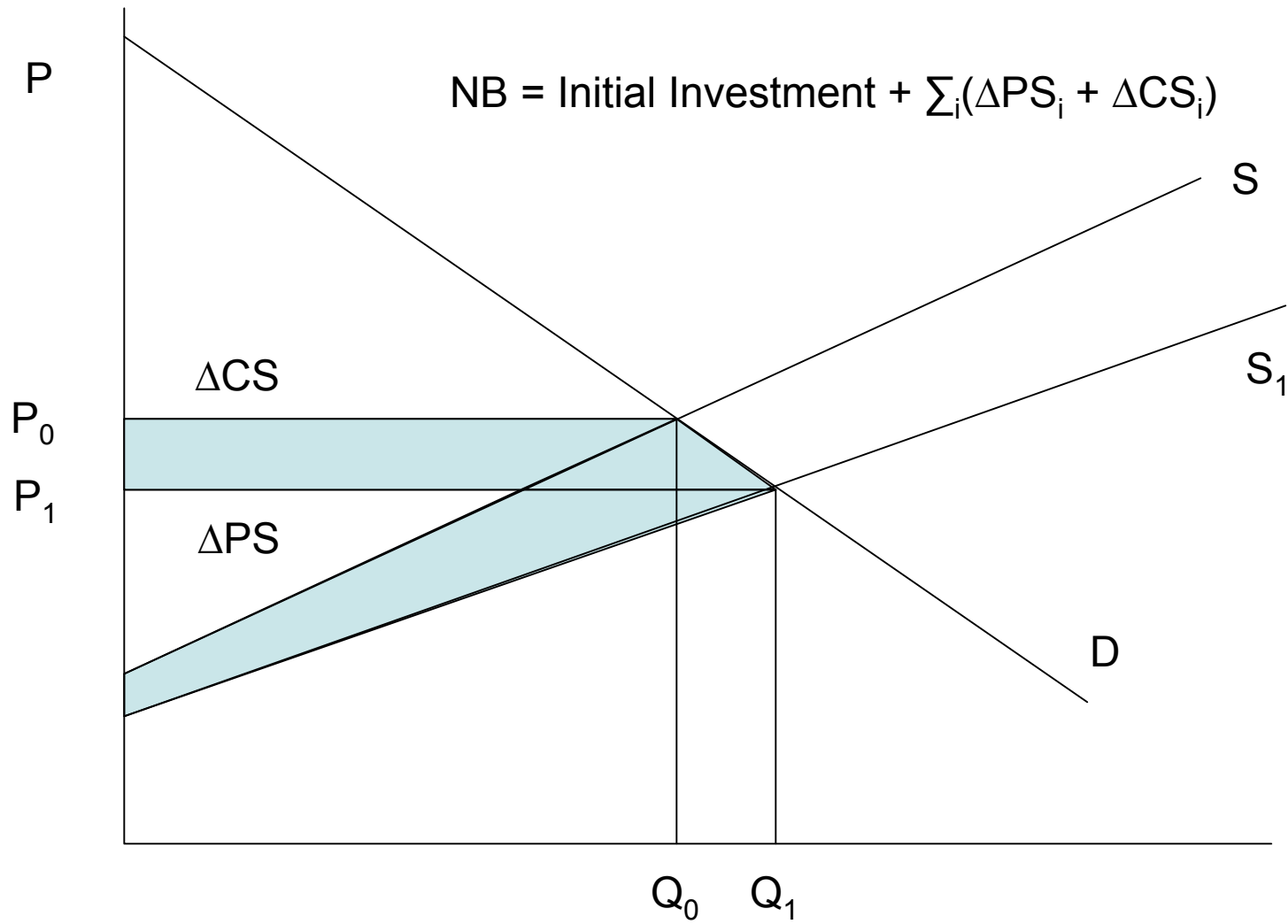
Problem with this diagram

- Shift in supply curve:
 - $S + q$
- Government cannot costlessly shift supply curve. Either:
 - Produces directly (movement along existing supply curve)
 - Lowers cost curve for all producers (investment in infrastructure)
 - Subsidizes production (subsidy lowers net cost of production, but actual resource costs are unchanged)

Government Produces directly



Gov't lowers cost for all producers



Gov't pays subsidy to producers

