

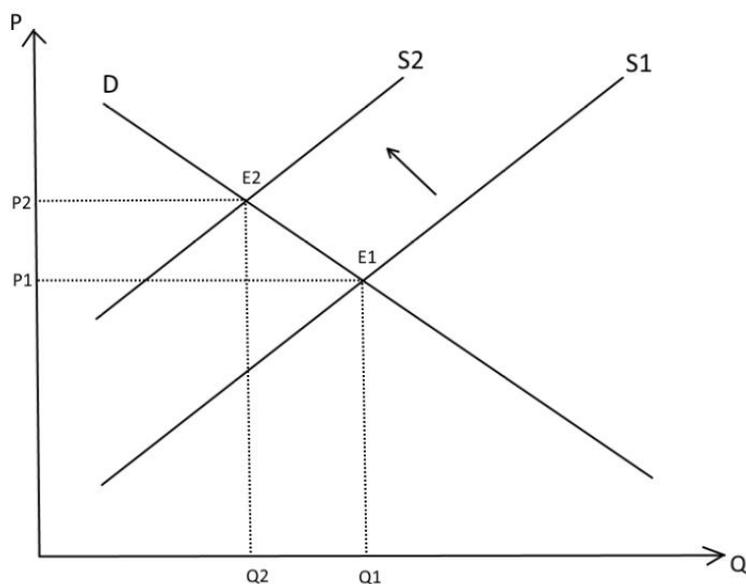
## Answer on Question#56320 - Economics - Macroeconomics

### Question

U.S. Government price supporters for milk led to an increasing surplus of milk. In an effort to reduce the surplus about a decade ago, congress offered to pay dairy farmers to slaughter cows. Use two diagrams, one for the milk market and one for the meat market, to illustrate how this policy should have affected the price of meat. (Assume that meat is sold in an unregulated market)

### Answer

Milk market: supply of milk decreases ( $S1 \rightarrow S2$ ), so price for milk increases ( $P2 > P1$ )



Meat market: price for meat decreases ( $P1 > P2$ ), because supply of meat increases ( $S1 \rightarrow S2$ ).

