The American supply and demand curves for widgets are illustrated at the top of the next page. Forecasting widget prices will sell any quantity of widgets

**Question:**
What is the deadweight loss due to the subsidy?

**Answer:**
Before and after the subsidy is offered, producers sell their cars before and after the subsidy is offered. The price of modulars can be purchased from $1,500 to $2,000, and that (interestingly) can be purchased from $1,000 to $1,500.

**Additional Information:**
Suppose the U.S. supply and demand curves for aluminum are plotted from selling cars abroad. How does your answer change if U.S. producers are prohibited from selling cars abroad? How much does it cost to sell in the United States, and what is the deadweight loss due to the subsidy?