Econ in Action Essay #2
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Available Government Policies to Save Truffula Trees

In the Style of Dr. Seuss' "The Lorax"

Taxes, subsidies, price floors, and price ceilings,

Are policies to regulate business' dealings.

Mandates and quotas are also much fun,

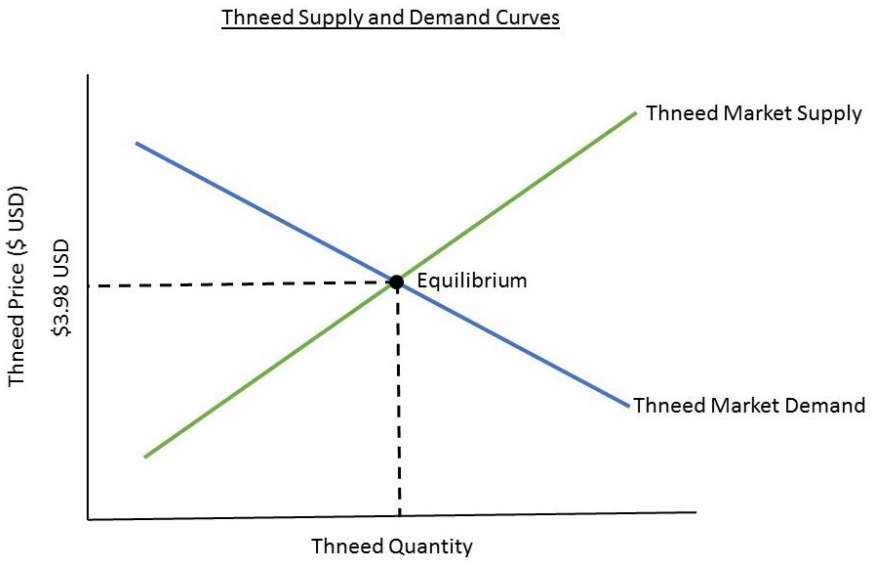
Listen here to find out what the Lorax should've done.

To save Truffula Trees from Once'ler's production,

The Lorax could try to alter consumption!

At a price of three dollars and ninety-eight cents,

Consumers demand Thneeds without recompense.



By increasing taxes paid by the buyers,

We will achieve Lorax's desires.

An increase in tax shifts demand down,

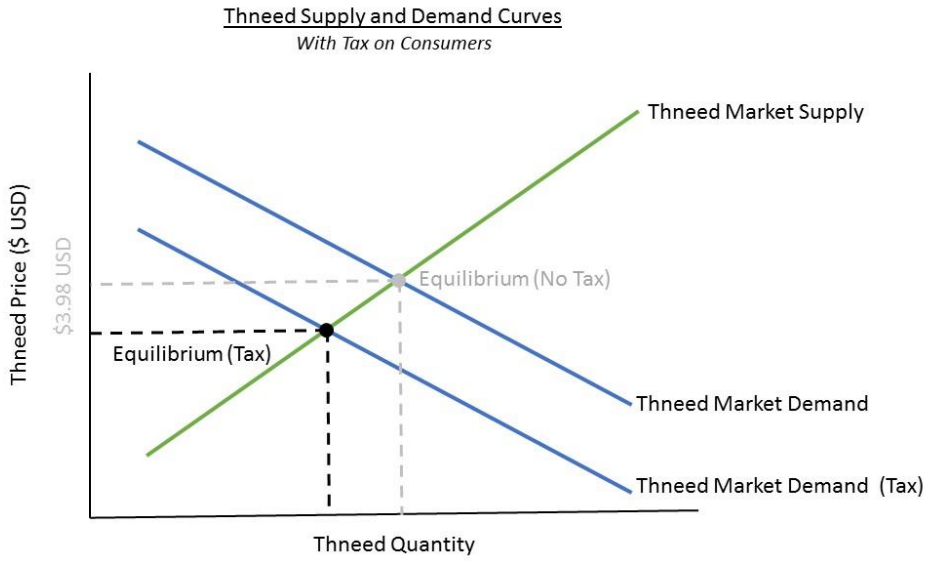
Reducing the quantity sold across town.

But, Thneeds are used as sweaters and socks by people in need,

Most necessary goods, yes sir, indeed

By adding a tax we'll price these folks out,

Lorax doesn't like that, let's try a new route.



"Tax the suppliers!" The Lorax suggests,

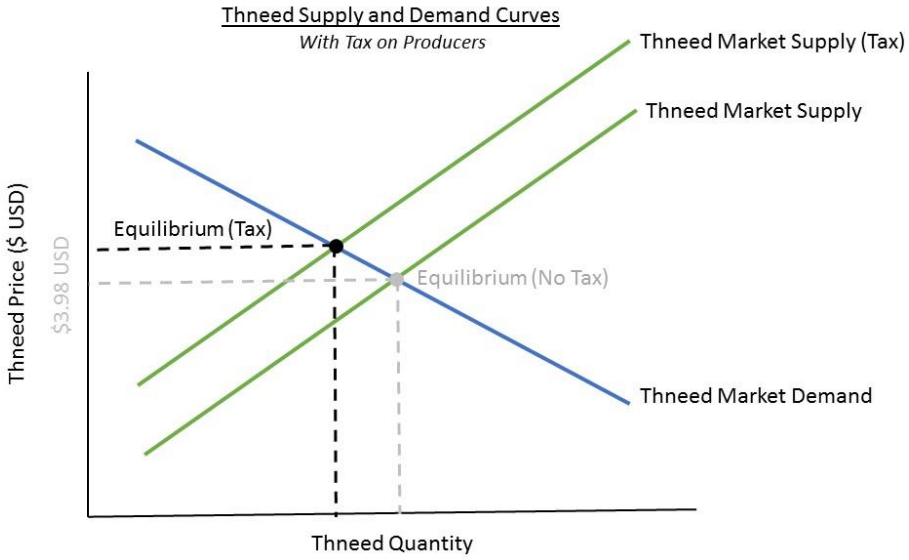
To settle the cause of all his unrest.

This time the Once'ler will pay for the tax,

Decreasing supply and quieting his ax.

But, a tax affects producers and consumers, same as before,

Due to invariance of taxes, it's only a name, nothing more.



Just one thing more before moving on,

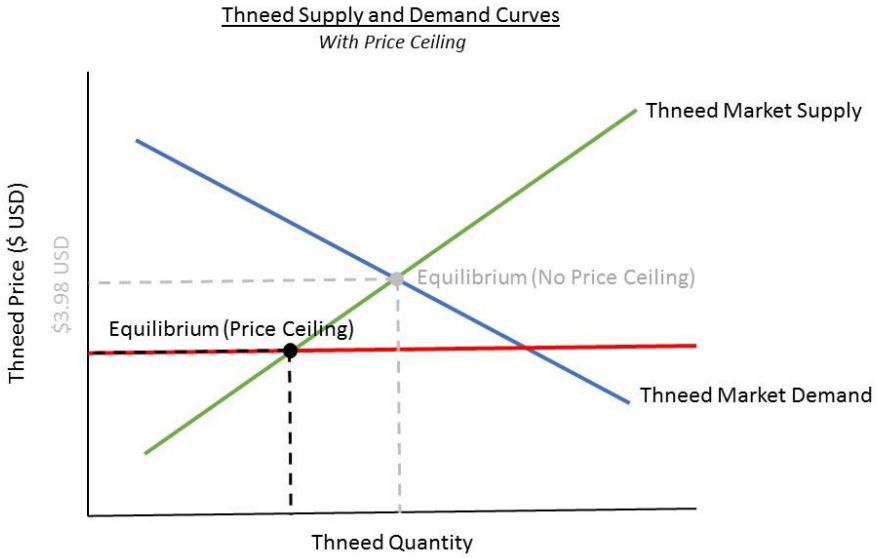
There is just one problem, this will not take long.

For taxes to have an effect that's fantastic,

Supply and demand must be elastic!

In this case we don't know how people are feeling,

So let's look at what's called a price ceiling.



A price ceiling reduces supply and increases demand,

It causes Thneed shortage which for us is quite grand.

Because price has dropped too, no one is priced out,

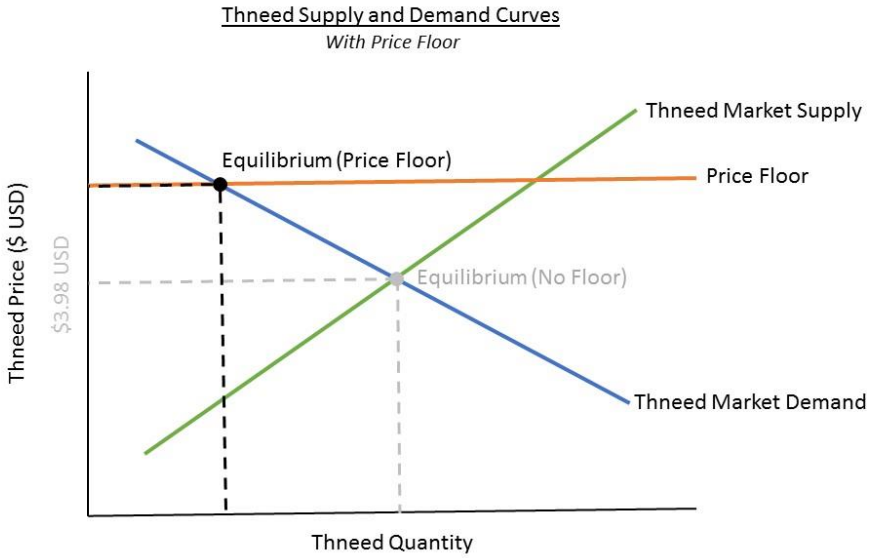
However, in this method we also have doubts.

We must understand there may be a black market,

Where people charge fees in exchange for Thneed carpets.

Moving on we know another way to alter consumption,

Is to set a price floor if you've got the gumption.



Above equilibrium the price floor is set,

Reducing demand, on this you can bet.

But a surplus is created by suppliers' desires,

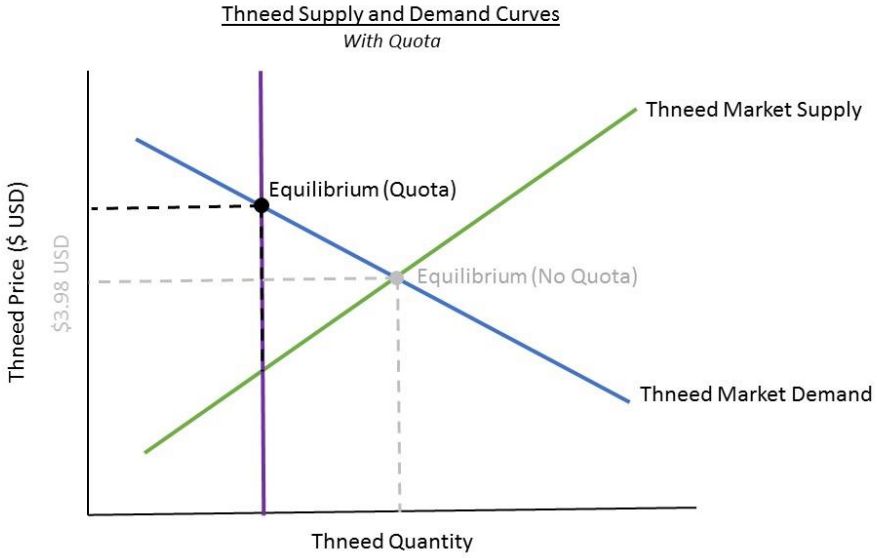
To sell a bit more at a price that is higher.

This certainly isn't good for the trees,

So let's see what's remains of our tools, oh… just three.

So we try a quota but this doesn't help,

"We've increased the price!" Lorax let's out with a yelp.



"What about mandates?" the Lorax inquires,

But this will not satisfy our desires.

A mandate will cause an increase in supply,

It should be quite obvious, this will not fly.

The Lorax cries out "So what can we do!?"

"We've manipulated price and quantity too!"

But if you look closely, there's one we forgot,

A subsidy may be just what we want.

Of course not alone, that'd be insane,

But a subsidy and quota may change the game.

We'll subsidize all those low income buyers,

Allowing them to purchase their Thneed desires.

While the quota acts to limit supply,

We will guarantee the trees will go on to survive.

Of course this assumes, the Lorax has political clout,

But with a mustache like that, no one's in doubt.

