

9.49 - CONSUMER AND PRODUCER SURPLUS

Demonstrate an understanding of consumer and producer surplus.

By: Carter Greene

KICKOFF:

- ❖ Go to Google Classroom and complete the assignment **“10/24- K0”**
- ❖ Pick up a handout on the way in
 - Put it to the side for now, we will (probably) do it together in a bit
- ❖ Check your answers from Tuesday on Google Classroom as well if you have not already
- ❖ **Roll Call:** How much would you pay for an automatic A in this class?

ANNOUNCEMENTS:

- ❖ **Today**- Midterms
 - Normal days in year long classes
- ❖ 90 minute classes
- ❖ **10/28**- Teacher Workday
- ❖ Heels play Dook on Saturday
- ❖ Panthers play San Fran on Sunday @ 4:05



EDPUZZLE

- ❖ Using your headphones or CC, complete the PUZZLE on google Classroom
- ❖ This should make the notes today much easier



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THINGS TO KNOW FIRST...

- ❖ Surplus now means benefit
- ❖ Area of:
 - Triangle
 - Rectangle
- ❖ Price floor
 - minimum price; set above equilibrium
- ❖ Price ceiling
 - maximum price; set below equilibrium

CONSUMER SURPLUS

- ❖ Difference between highest price consumer is willing to pay for a product the and actual price paid
- ❖ Individual consumer surplus- net gain from individual buyer
- ❖ Total consumer surplus- sum of all individual consumer surpluses

CONSUMER SURPLUS ON A GRAPH

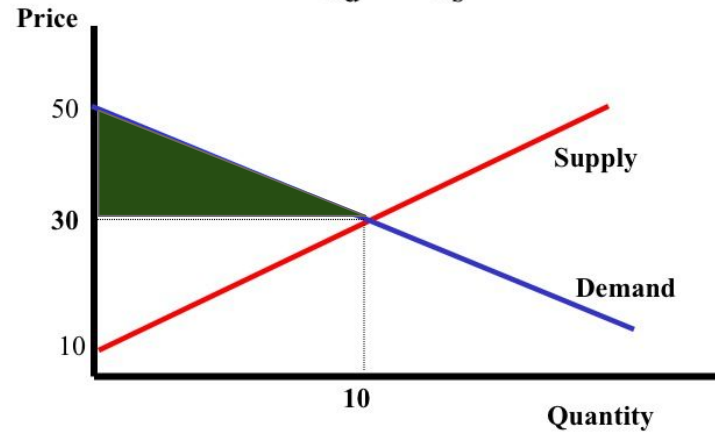
❖ Area below demand curve, above price, and left of quantity

❖ $\frac{1}{2}$ (B) (H)

❖ $\frac{1}{2}$ (20) (10)

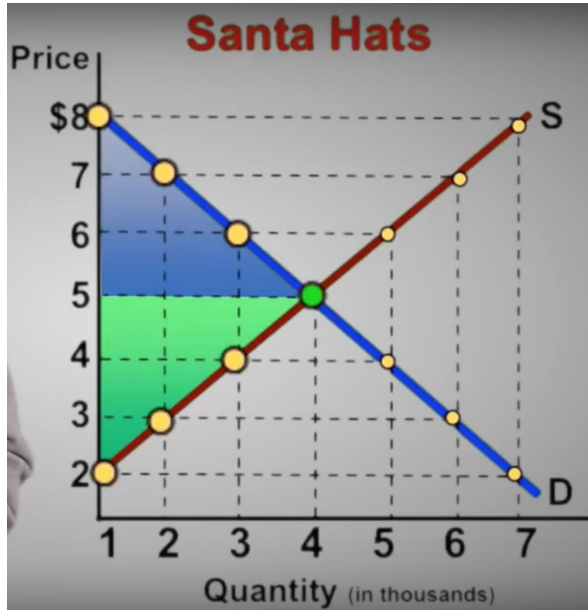
Equilibrium:

$$Q_d = Q_s$$



❖ Consumer Surplus (CS) = 100

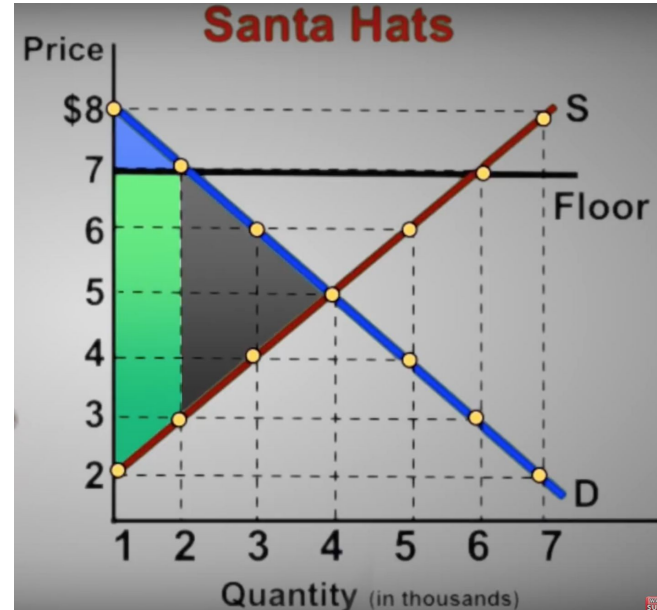
EFFECT OF PRICE FLOOR ON CONSUMER SURPLUS?



What color represents consumer surplus?

What happened to consumer surplus?

It decreased



PRODUCER SURPLUS

- ❖ Difference between lowest price a producer is willing to sell a product for and the actual price received
- ❖ Individual producer surplus- net gain from individual seller
- ❖ Total producer surplus- sum of all individual producer surpluses

PRODUCER SURPLUS ON A GRAPH

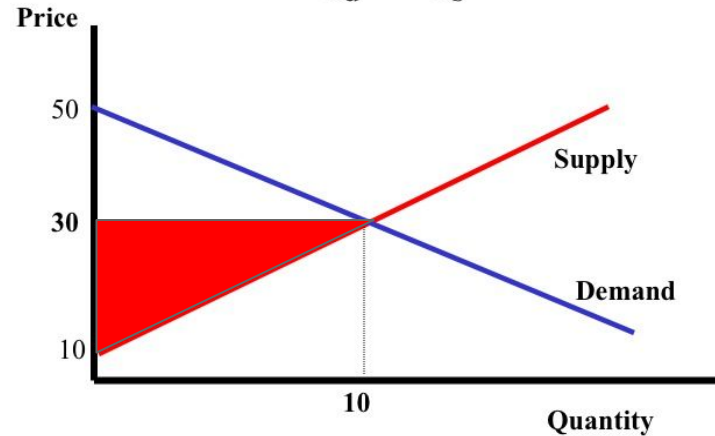
❖ Area above the supply curve, below price, and left of quantity

❖ $\frac{1}{2}$ (B) (H)

❖ $\frac{1}{2}$ (20) (10)

Equilibrium:

$$Q_d = Q_s$$



❖ Producer Surplus (PS) = 100

EFFECT OF PRICE CEILING ON PRODUCER SURPLUS



Which color represents producer surplus?

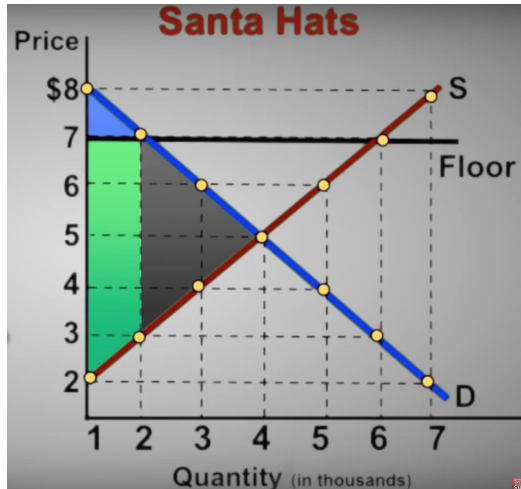
What happened to producer surplus?

Decreased



TOTAL SURPLUS AND DEADWEIGHT LOSS

- ❖ Total Surplus = CS + PS
- ❖ Deadweight Loss (DWL) – loss of total surplus when a market is not operating at the equilibrium



CS, PS, TS AND DWL PRACTICE

- ❖ Complete with a partner and SHOW all calculations
- ❖ If you can master this sheet, you have accomplished our objective

FRQ PRACTICE

CLOSURE

- ❖ Go to Google Classroom and complete the assignment “10/24- Closure”
 - Define both consumer and producer surplus and explain how to find each on a graph.
 - Explain how price floors and price ceilings affect CS, PS, TS, and DWL.