Introduction to Microeconomics

Producer Surplus

Ishmam Al Quddus

Producer Surplus

- Producer surplus is the difference of the amount a seller recieved from selling the good and the cost of producing the good $\longrightarrow$ measures the benefits of suppliers/sellers
- Producer surplus is measured using the supply curve
- Producer Surplus shows the benefits received by the sellers/suppliers/producers

Willingness to Sell

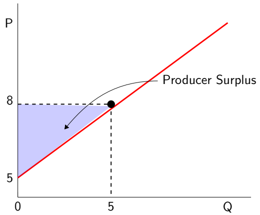
- Willingness to sell (WTS): Minimum amount the seller would be willing to receive
- WTS measures the cost associated with producing the good or service

Producer Surplus (PS) = Amount Received - Cost (or WTS)

You would not sell a soft beverage less than 12tk. You sold a bottle at 15tk. How much would be the producer surplus?

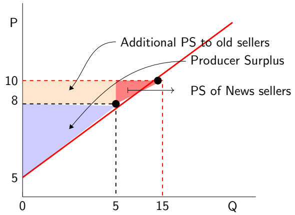
Graphical Representation

1. Using supply curve to measure the Producer Surplus (PS)
2. The area under the received price and above the minimum price that you are willing to sell at depicts your PS



Calculate the Producer Surplus.
Formula: $\frac{1}{2}$ X Δ Price X Quantity Supplied

Graphs



Calculate the (i) New PS, (ii) Additional PS to Old Sellers (old quantity supplied) and (iii) PS to New Sellers (Additional quantity supplied).

Formula: (i) $\frac{1}{2}$ X Δ Price X Quantity Supplied

(ii) Change in Market Price X Quantity Supplied of Old suppliers

(iii) $\frac{1}{2}$ X Δ Market Price X Change in Quantity Supplied