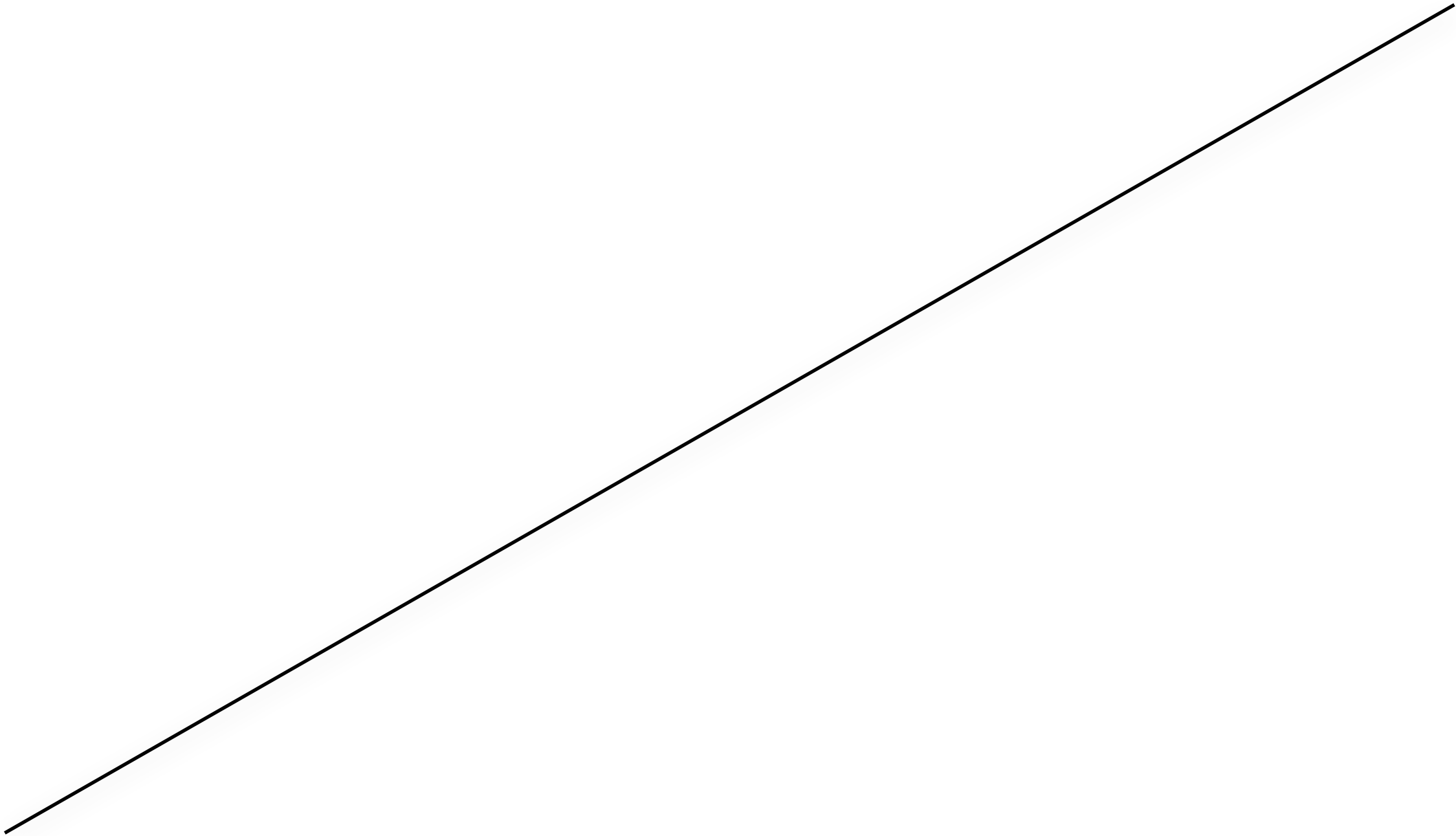




S

Flavor 0.8





$Q_s = 100$





$$Q_e = 6000$$

$$P_e = 0.5$$

1

2

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18





A large, solid red triangle pointing to the right, which serves as a background for the text.

Welfare
Loss

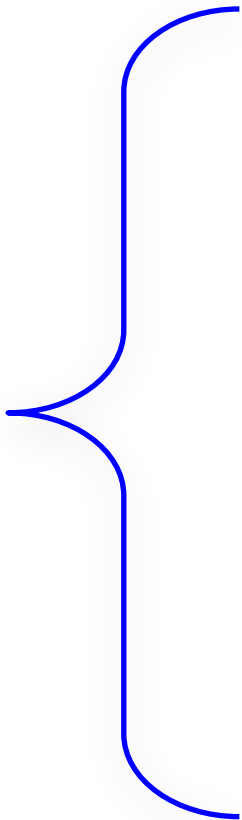
Calculating the Size of the Welfare Loss

$$W_L = \text{Base} \times \text{Height} \times \frac{1}{2}$$

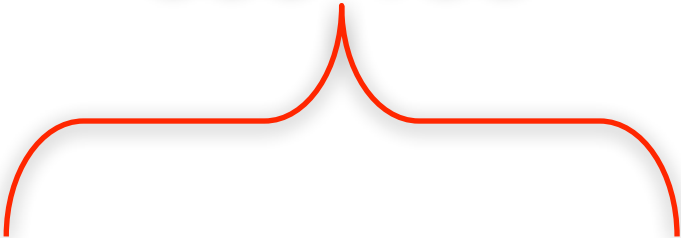
$$W_L = (0.8 - 0.2) \times (6000 - 1000) \times 1/2$$

$$WL = (0.6 \times 5000) \times \frac{1}{2} = \$1500$$

$$0.8 - 0.2$$

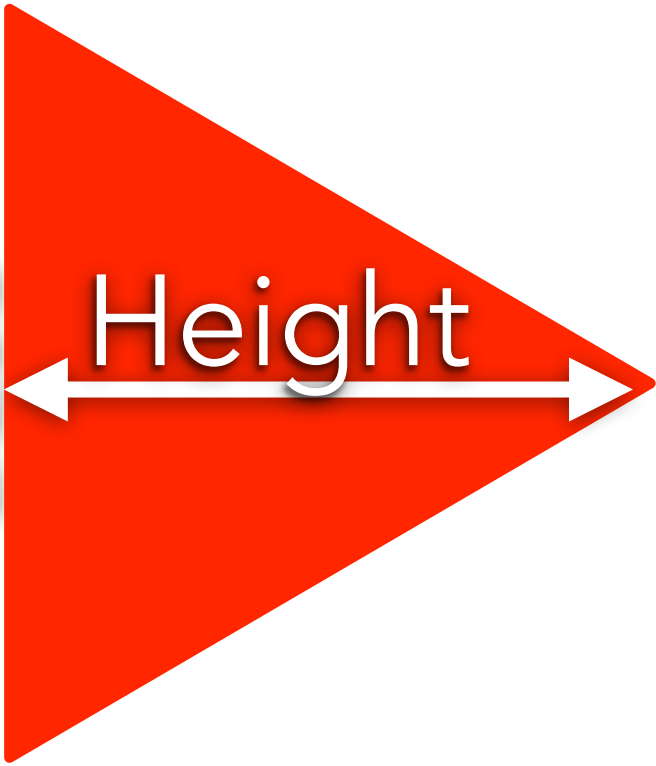


600-100



Base

Height





0.2

Calculating the Size of the Welfare Loss

