

P₂

P

e

Po

Q.0

Q_e

Q1







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B

C



E

G



F

J

K





Example: At
equilibrium the
price is P_e

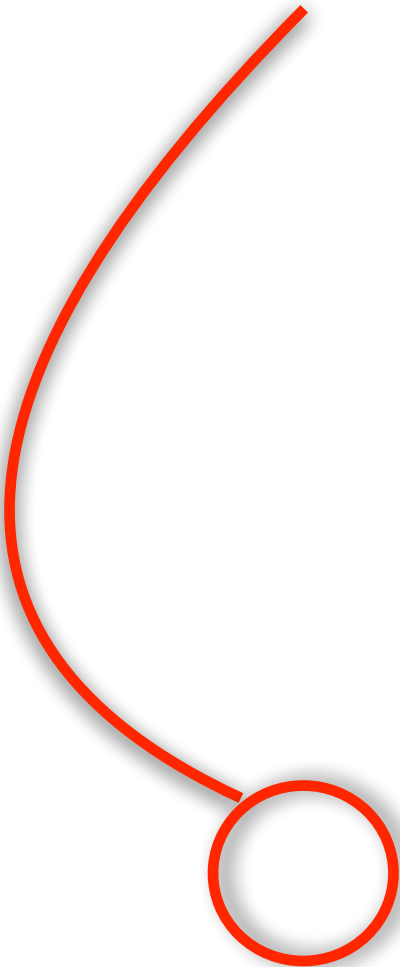
Consumer Surplus = The
triangle area below the
demand line and above the
price the consumer pays



CS

Consumer Surplus = Areas L + K + G

Producer Surplus is the triangle area **above** the **supply** line and **below** the price the producer receives



$$\text{Producer Surplus} = \text{Areas J} + \text{H} + \text{I}$$



PS

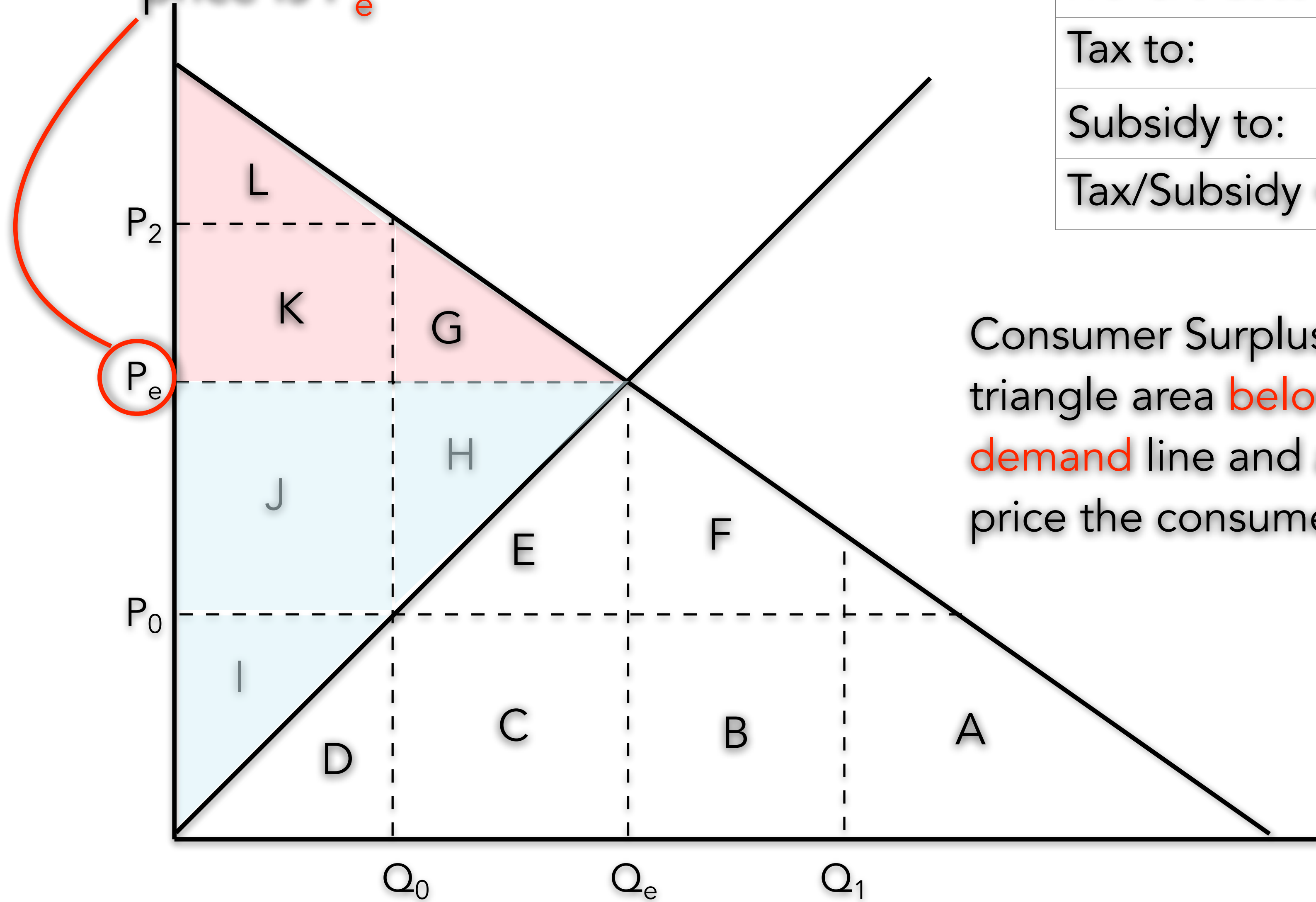
Welfare Loss = Zero

Tax to: There is no redistribution

Subsidy to: There is no redistribution

Tax/Subsidy = There is no tax or subsidy

Example: At equilibrium the price is P_e



Consumer Surplus =	Areas L + K + G
Producer Surplus =	Areas J + H + I
Welfare Loss =	Zero
Tax to:	There is no redistribution
Subsidy to:	There is no redistribution
Tax/Subsidy =	There is no tax or subsidy

Consumer Surplus = The triangle area **below** the **demand** line and **above** the price the consumer pays

Producer Surplus is the triangle area **above** the **supply** line and **below** the price the producer receives

Price Floors and Ceilings