

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

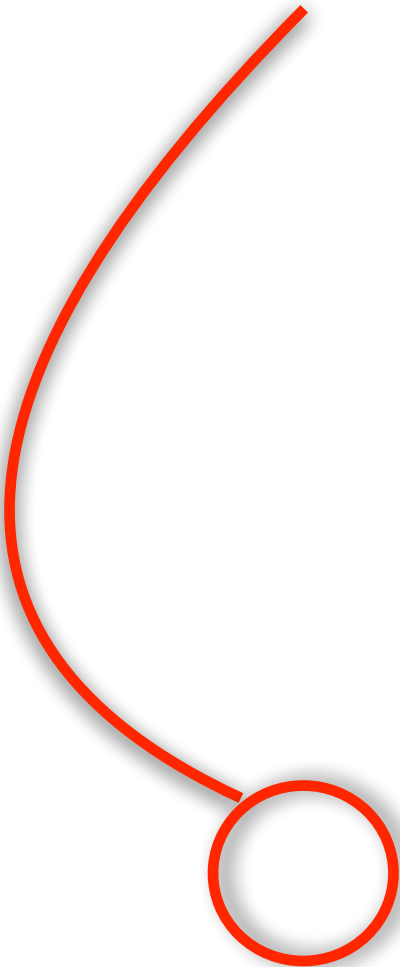
Consumer Surplus = The
triangle area below the
demand line and above the
price the consumer pays



CS

Consumer Surplus = Areas L + K + G

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



Producer Surplus = Areas J + H + 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

Tax to:
 Subsidy to:
 Tax/Subsidy =

Consumer Surplus
 triangle area **below**
demand line and **a**
 price the consumer

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