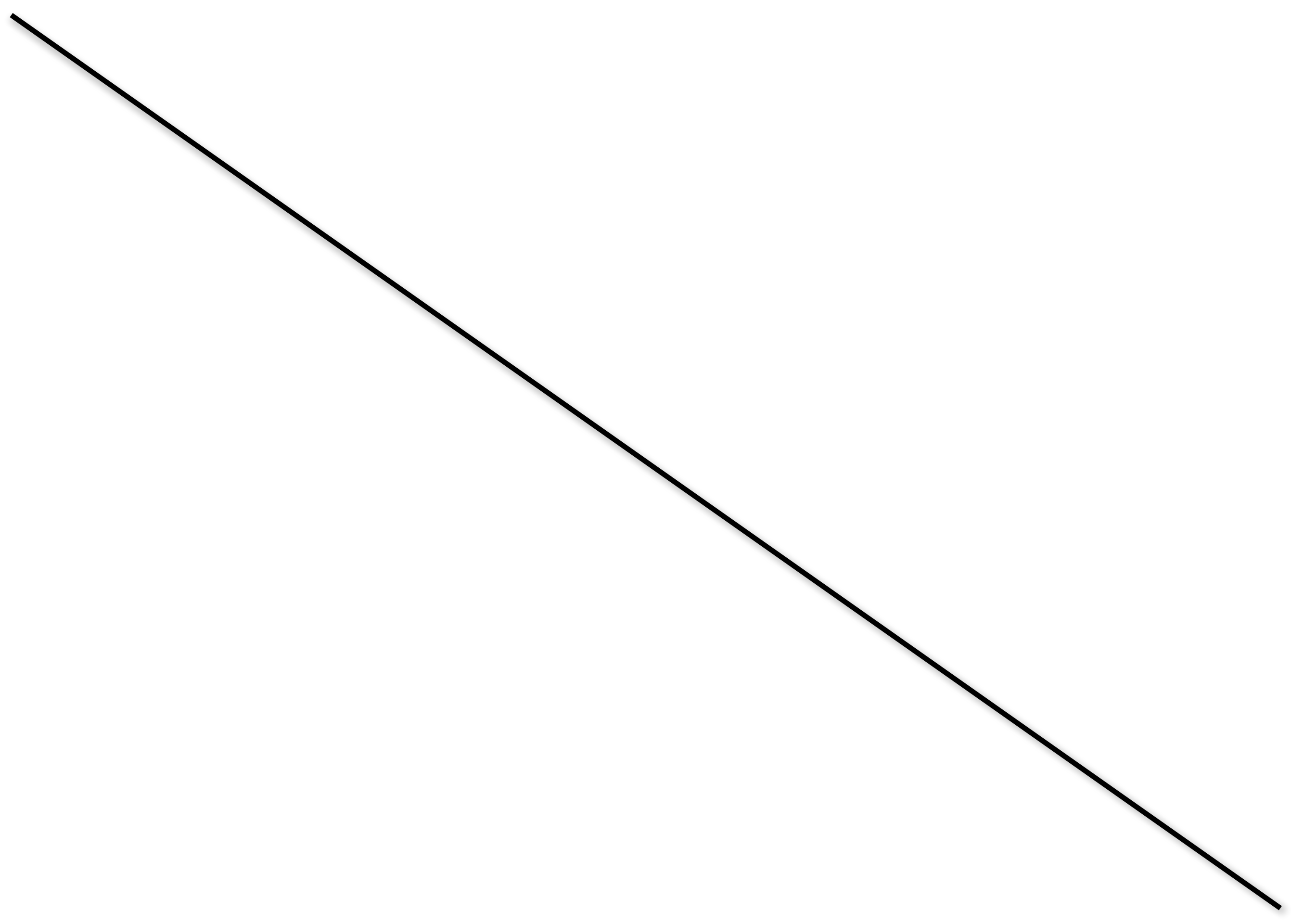


M







P₂

P

1

Po

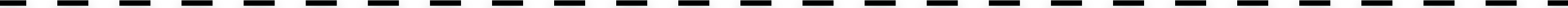
Q.0

Q_e

Q1







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B

C



E

G



F

J

K





Example: Suppose
the price is P_2

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

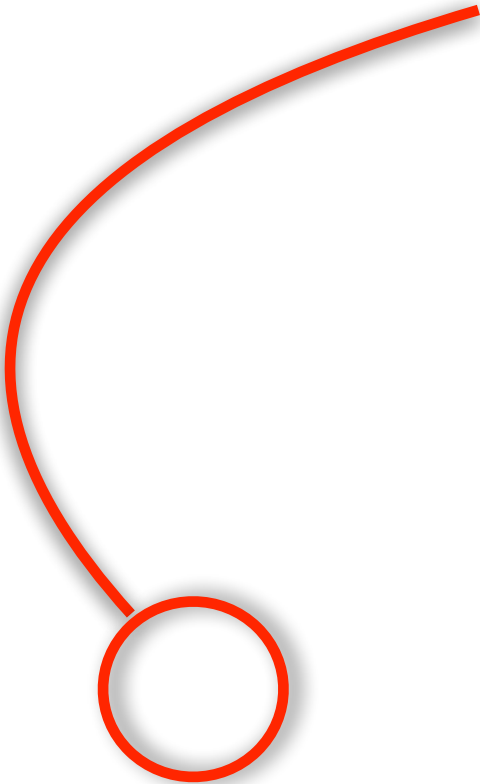


CS



L

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



Consumer Surplus = Area L

Producer Surplus = Areas K + J + I

$$\text{Welfare Loss} = \text{Areas M} + \text{H} + \text{G} + \text{F} + \text{E}$$

Tax to: Consumers who lose areas $K+J$

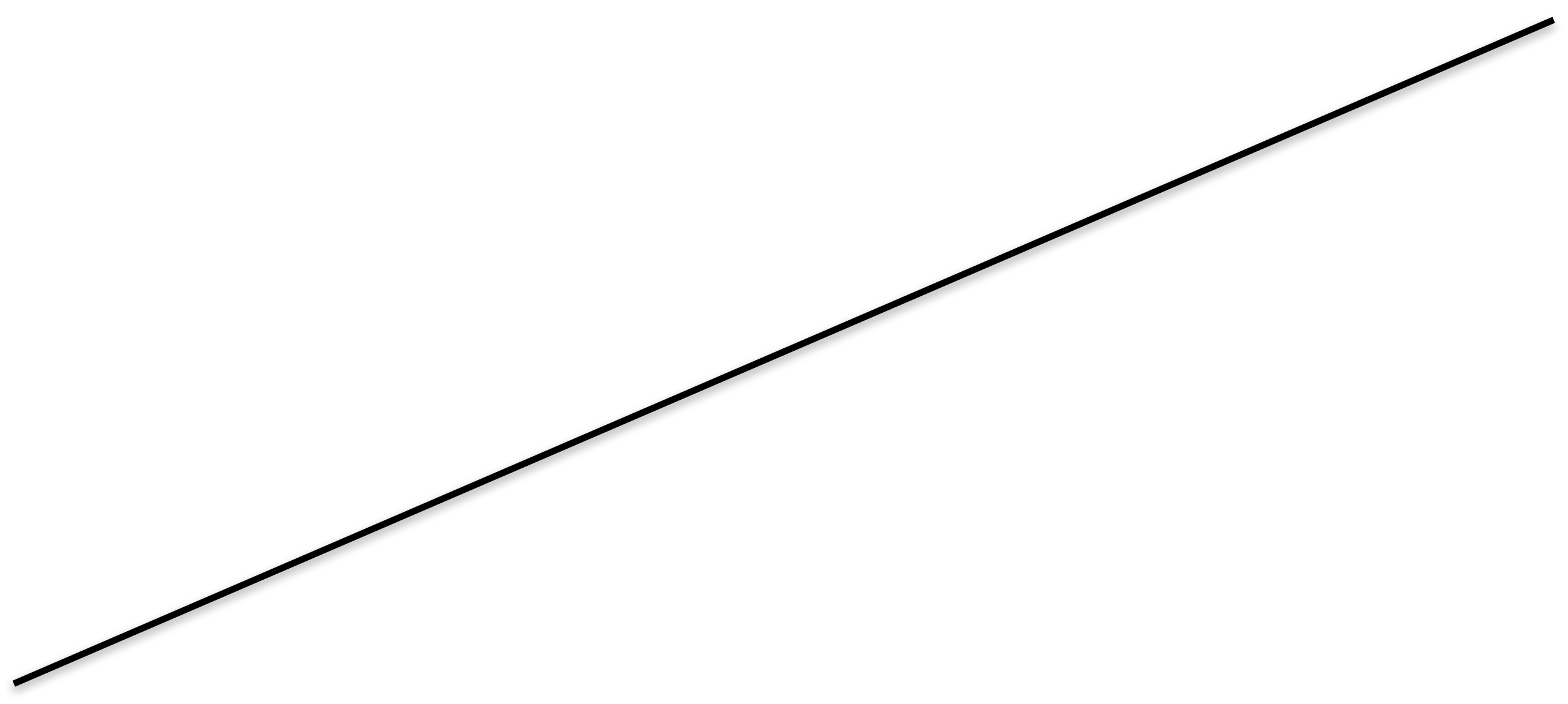
Subsidy to: Producers who gain areas $K+J$

$$\text{Tax/Subsidy} = \text{Areas K} + \text{J}$$

PS



WL



Welfare Loss is lost
CS and PS relative to
equilibrium

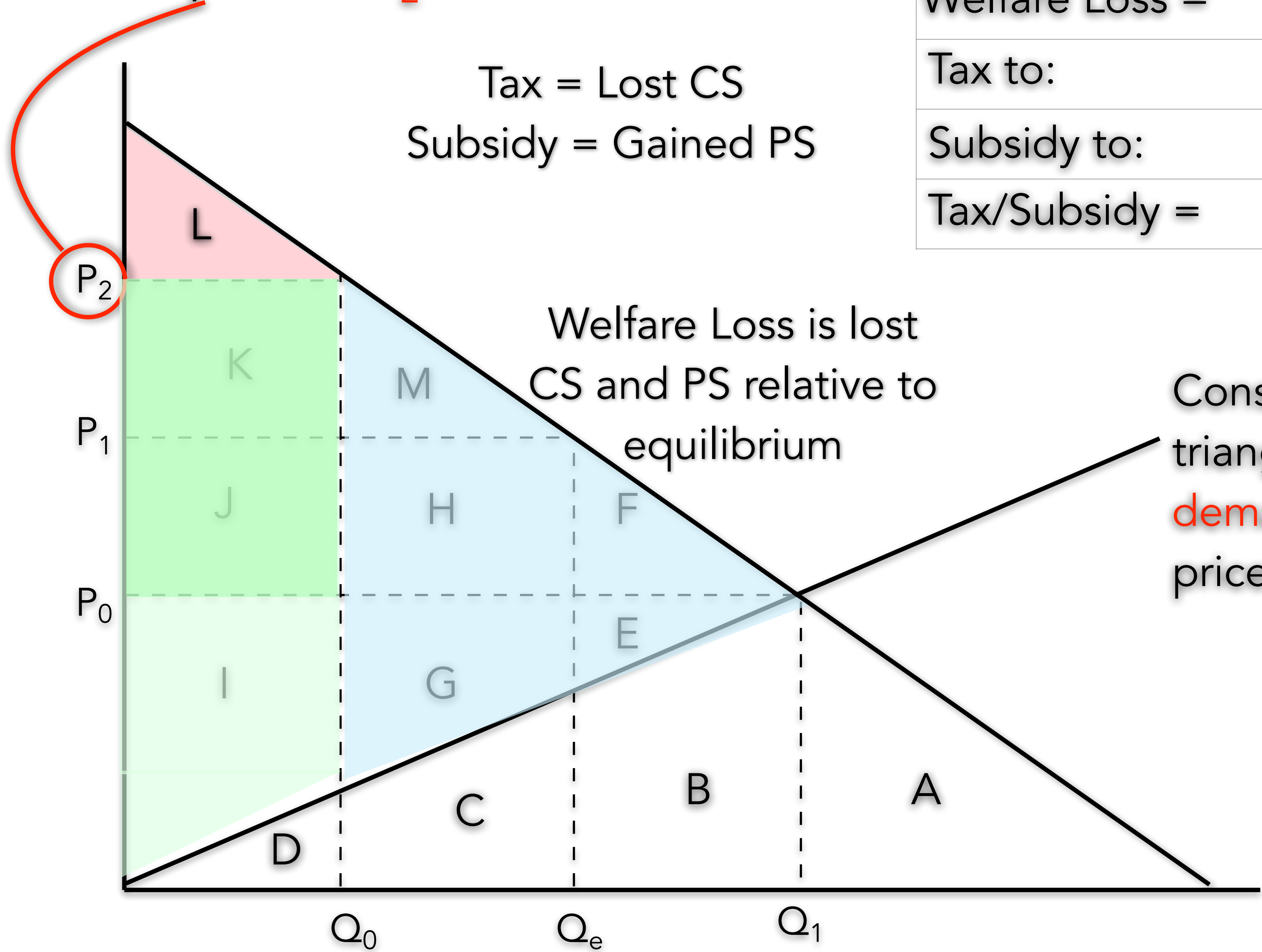
Tax = Lost CS

Subsidy = Gained PS

Tax to
Consumer
Subsidy to
Producer

Example: Suppose
the price is P_2

Consumer Surplus =	Area L
Producer Surplus =	Areas K + J + I
Welfare Loss =	Areas M + H + G + F + E
Tax to:	Consumers who lose areas K+J
Subsidy to:	Producers who gain areas K+J
Tax/Subsidy =	Areas K + J



Tax = Lost CS
Subsidy = Gained PS

Welfare Loss is lost
CS and PS relative to
equilibrium

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

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

