Consumer Surplus
Producer Surplus

ACTIVE LEARNING 1

Consumer surplus

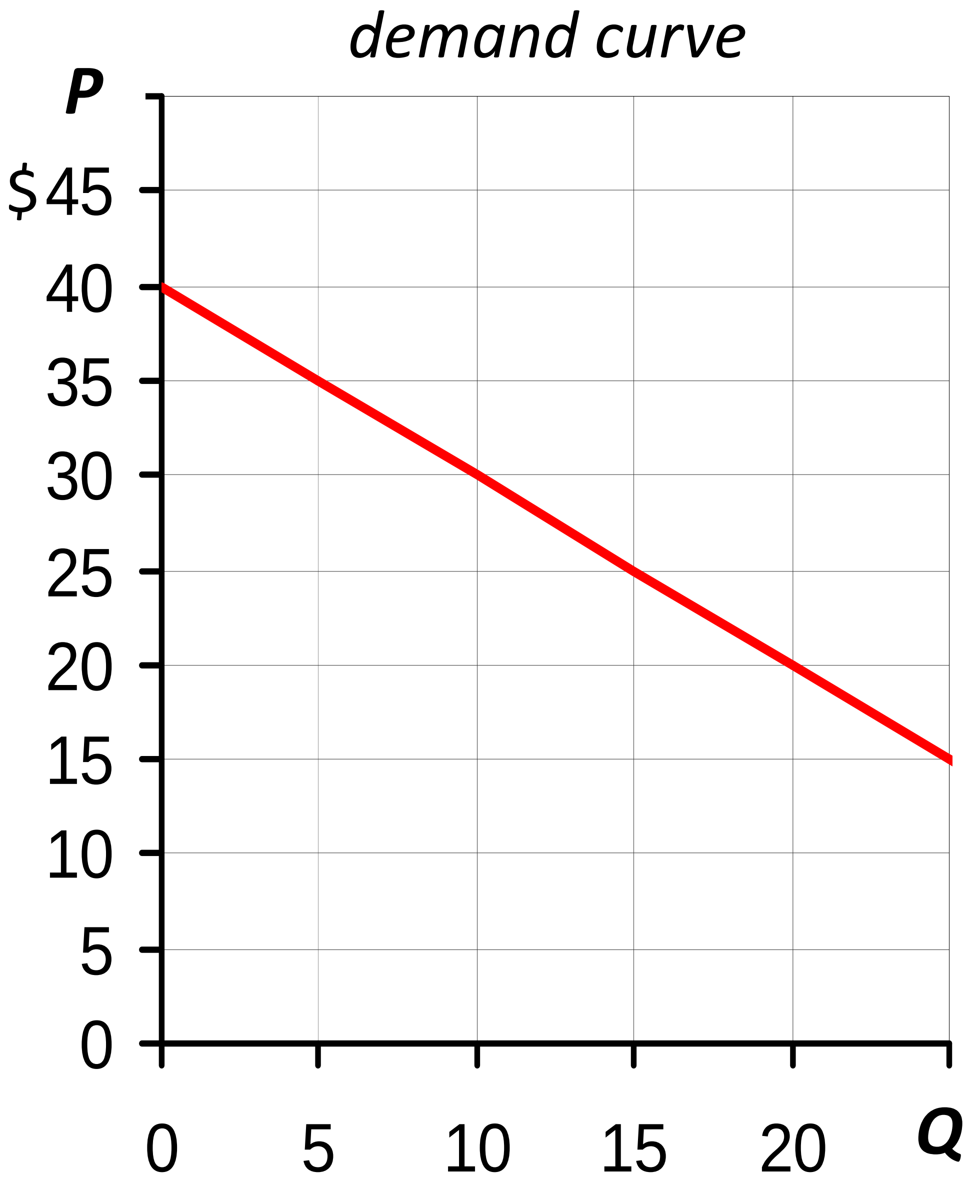
A. Find marginal buyer's WTP at ***Q*** = 10.

B. Find CS for ***P*** = $30.

Suppose ***P*** falls to $20.
How much will CS increase due to…

C. buyers entering the market

D. existing buyers paying lower price



ACTIVE LEARNING 1

Answers

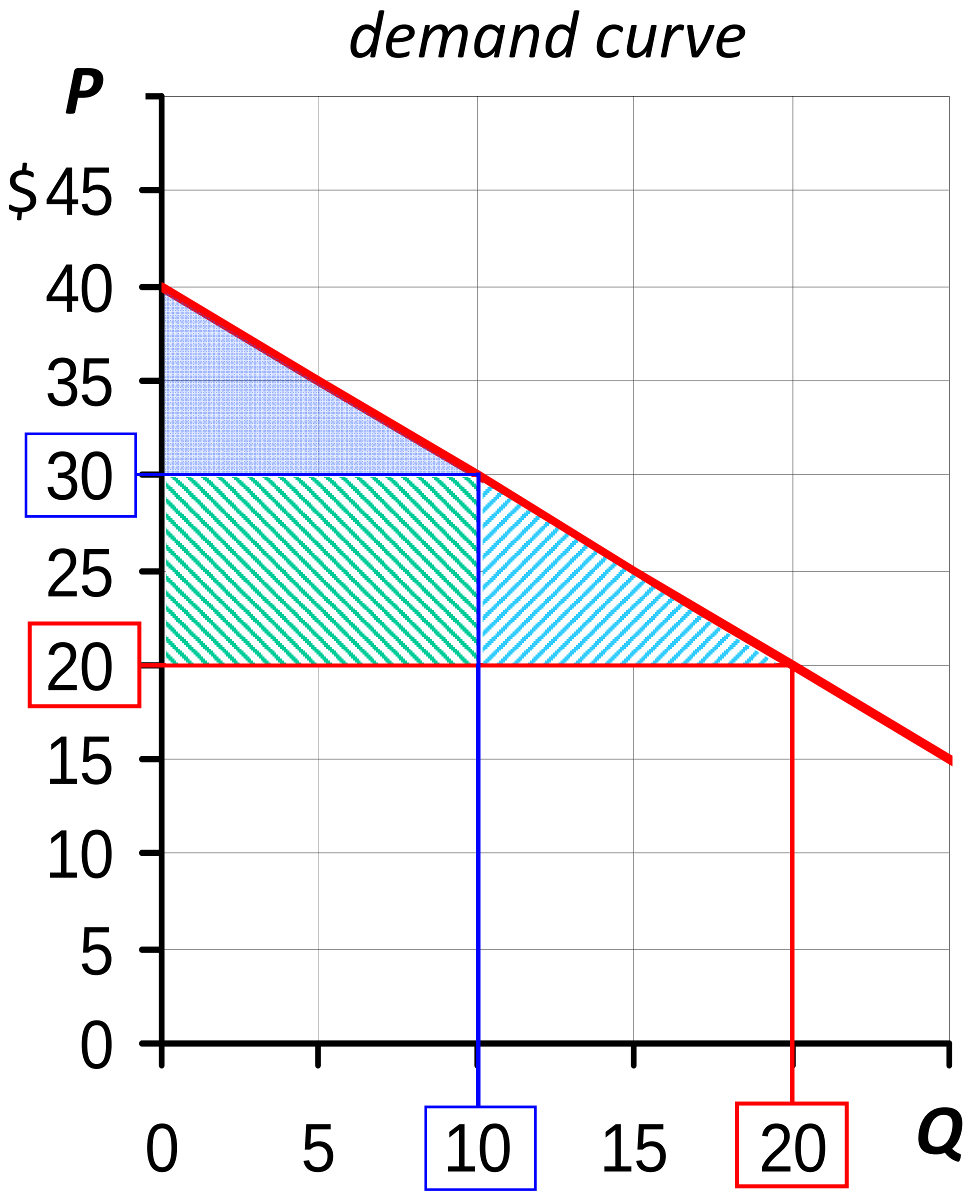
A. At ***Q*** = 10, marginal buyer's WTP is $30.

B. CS = ½ x 10 x $10
= $50

P falls to $20.

C. CS for the additional buyers
= ½ x 10 x $10 = $50

D. Increase in CS on initial 10 units
= 10 x $10 = $100



ACTIVE LEARNING 2

Producer surplus

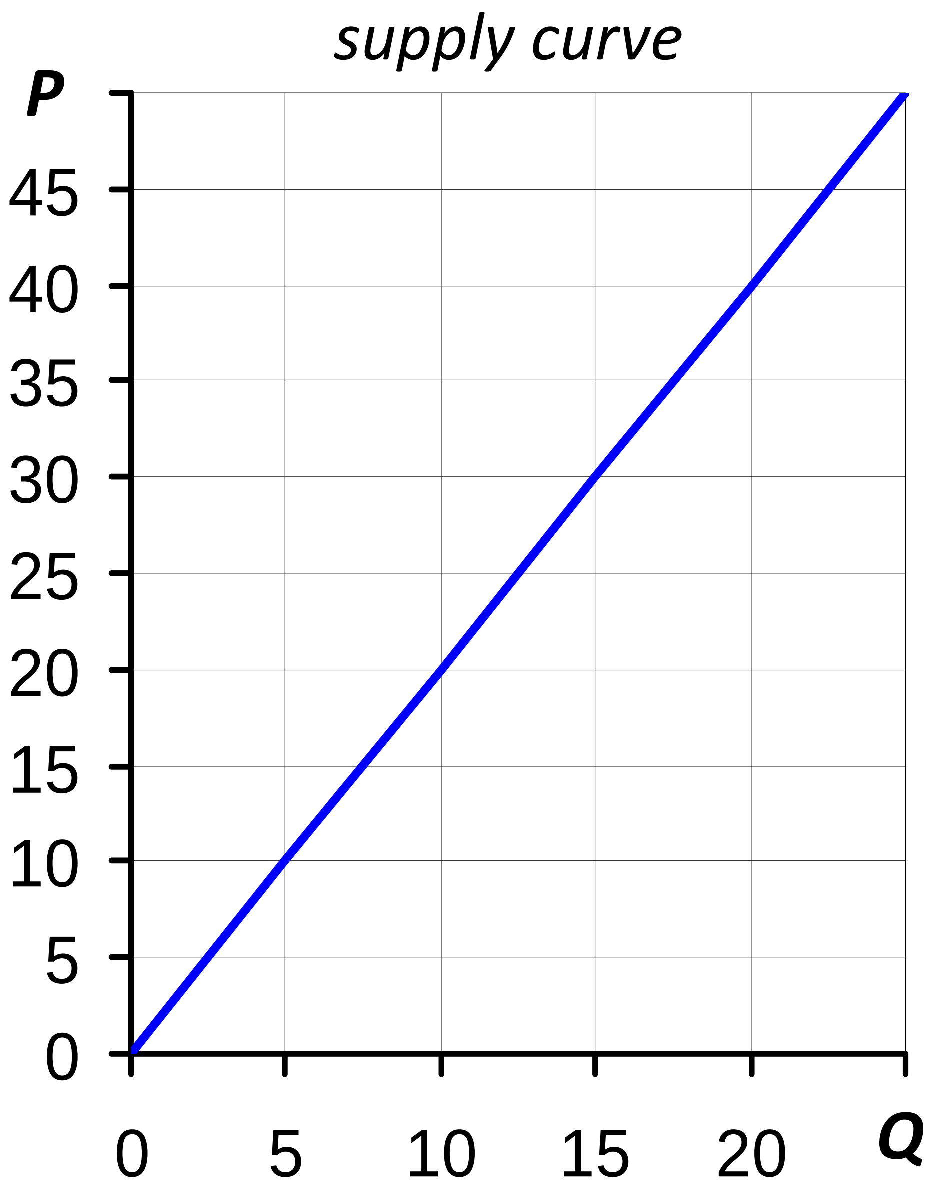
A. Find marginal seller's cost at ***Q*** = 10.

B. Find total PS for ***P*** = $20.

Suppose ***P*** rises to $30. Find the increase in PS due to:

C. selling 5 additional units

D. getting a higher price on the initial 10 units



ACTIVE LEARNING 2

Answers

A. At ***Q*** = 10,
marginal cost = $20

B. PS = ½ x 10 x $20
= $100

P rises to $30.

C. PS on additional units
= ½ x 5 x $10 = $25

D. Increase in PS on initial 10 units
= 10 x $10 = $100