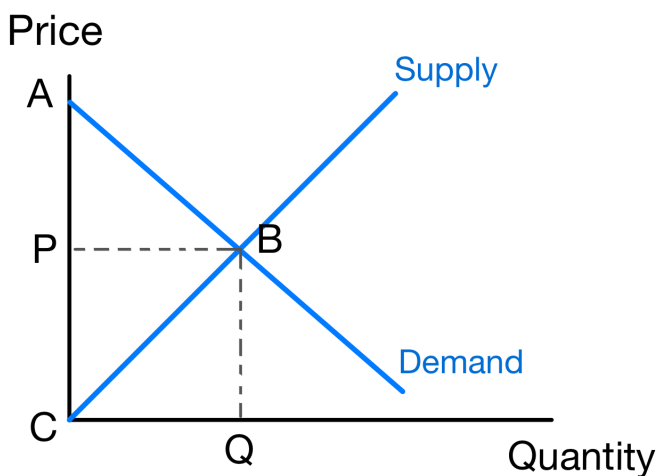


## Consumer and producer surplus

### a) The distinction between consumer and producer surplus.

**Consumer surplus:** the difference between price that consumers prepared to buy and the actual price.

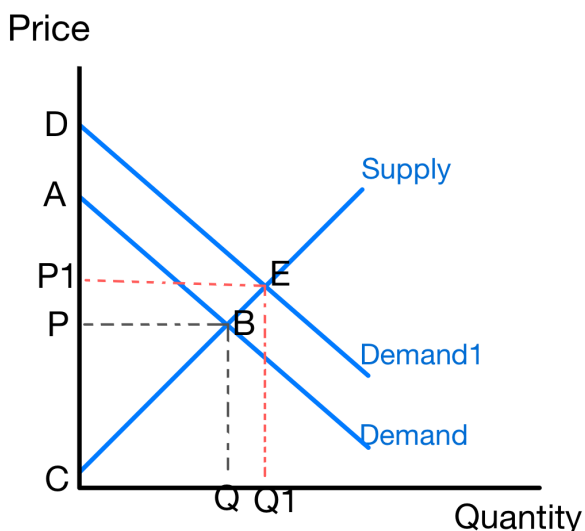
**Producer surplus:** the difference between price that producers prepared to sell and the actual price.



Consumer surplus = ▲ ABP  
 Producer surplus = ▲ PBC

### b) How changes in demand or supply might affect consumer and producer surplus.

#### An increase in consumers' income



#### 1. Original equilibrium

Consumer surplus = ▲ ABP  
 Producer surplus = ▲ PBC

#### 2. New equilibrium

Consumer surplus = ▲ P1ED  
 Producer surplus = ▲ P1EC