A-LEVEL ECONOMICS • EXERCISE SHEET

2.5 Consumer and producer surplus

Name: ____________ Class: ________ Date: __________ **Total: 21 marks**

KEY WORDS consumer surplus 消费者剩余 • producer surplus 生产者剩余 • consumer and producer surplus 消费者剩余与生产者剩余 • consumer 消费者 • producer 生产者

Objective

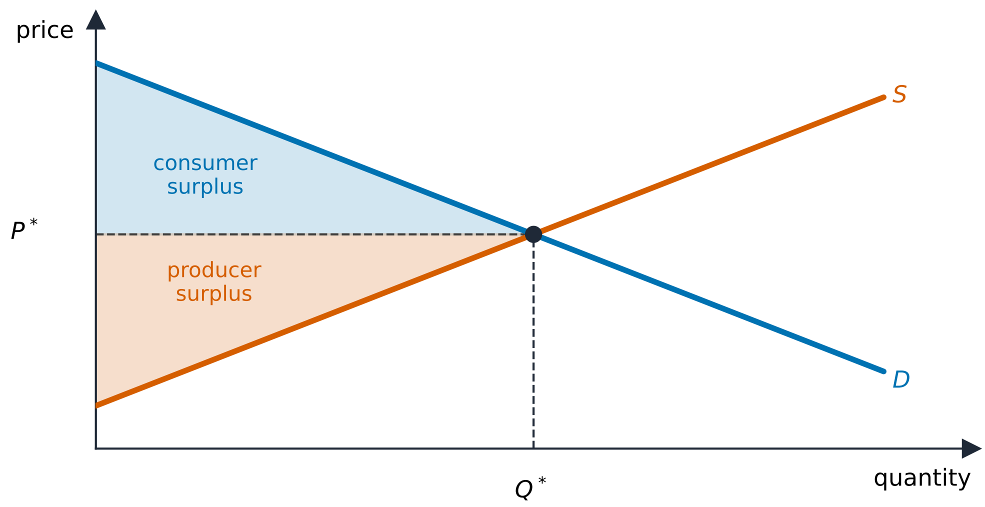
Build the skills to answer exam questions on **consumer and producer surplus 消费者剩余与生产者剩余** — what each is, how to show them on a diagram, and how they change.

You must be able to:

- define and shade **consumer surplus 消费者剩余** and **producer surplus 生产者剩余**
- explain how a price or curve change affects each surplus
- analyse surplus as a measure of welfare 福利

1 Worked examples

■ The two surpluses



total surplus $= CS + PS$ maximised at competitive equilibrium (P^*, Q^*)

Together they measure the total welfare 福利 from a market

- **Consumer surplus:** the gap between the most a buyer would pay and the price actually paid (area **below demand, above price**).

- **Producer surplus:** the gap between the price received and the lowest a seller would accept (area **above supply, below price**).
- A **higher price** raises producer surplus but lowers consumer surplus; a **rise in supply** lowers price → raises consumer surplus.

Answer shapes: an **Explain** [**up to 8**] answer should use a labelled diagram (AO3); **Discuss** [**12**] adds a judgement (AO4).

2 Practice

2.1 Define the term *consumer surplus*. [2]

2.2 State where **producer surplus** is shown on a demand and supply diagram. [1]

2.3 State the effect on consumer surplus of a fall in the market price. [1]

3 Exam-style questions

3.1 Consumer surplus is the area: [1]

A	B
C	D

A above the demand curve and below the price
B below the demand curve and above the price
C above the supply curve and below the price
D below the supply curve and above the price

3.2 Using a diagram, explain how an increase in supply affects consumer surplus. [8]

3.3 Discuss whether a rise in the market price always reduces total welfare. [8]