BA Part 1(Paper-1)

Economics (Hons)

Topic : Consumer Surplus

What Is Consumer Surplus?

Consumer surplus is an economic measurement of consumer benefits. A consumer surplus happens when the price that consumers pay for a product or service is less than the price they're willing to pay. It's a measure of the additional benefit that consumers receive because they're paying less for something than what they were willing to pay.

KEY TAKEAWAYS

A consumer surplus happens when the price consumers pay for a product or service is less than the price they're willing to pay.

Consumer surplus is based on the economic theory of marginal utility, which is the additional satisfaction a consumer gains from one more unit of a good or service.

Consumer surplus always increases as the price of a good falls and decreases as the price of a good rises.

Consumer Surplus

Understanding Consumer Surplus

The concept of consumer surplus was developed in 1844 to measure the social benefits of public goods such as national highways, canals, and bridges. It has been an important tool in the field of welfare economics and the formulation of tax policies by governments.

Consumer surplus is based on the economic theory of marginal utility, which is the additional satisfaction a consumer gains from one more unit of a good or service. The utility a good or service provides varies from individual to individual based on their personal preference.

Typically, the more of a good or service that consumers have, the less they're willing to spend for more of it, due to the diminishing marginal utility or additional benefit they receive. A consumer surplus occurs when the consumer is willing to pay more for a given product than the current market price.

Important : Many producers are influenced by consumer surplus when they set their prices.
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