

As illustrated in panel (a), some consumers (see point A) are willing to pay as much as \$5.00 each for hamburgers. Since the market price is just \$2.50, they receive a consumer surplus of \$2.50 for each hamburger that they consume. Others (see point B) are willing to pay something less than \$5.00 and receive a slightly smaller surplus. Because the market price of hamburgers is just \$2.50, the area of the shaded triangle in panel (b) is equal to total consumer surplus. producer surplus The difference between the current market price and the cost of production for the firm. As illustrated in panel (a), some producers are willing to produce hamburgers for a price of \$0.75 each. Since they are paid \$2.50, they earn a producer surplus equal to \$1.75. Other producers are willing to supply hamburgers at prices less than \$2.50, and they also earn producer surplus. Because the market price of hamburgers is \$2.50, the area of the shaded triangle in panel (b) is equal to total producer surplus. and Consumer Surplus • deadweight loss The total loss of producer and consumer surplus from underproduction or overproduction. Total producer and consumer surplus is greatest where supply and demand curves intersect at equilibrium.