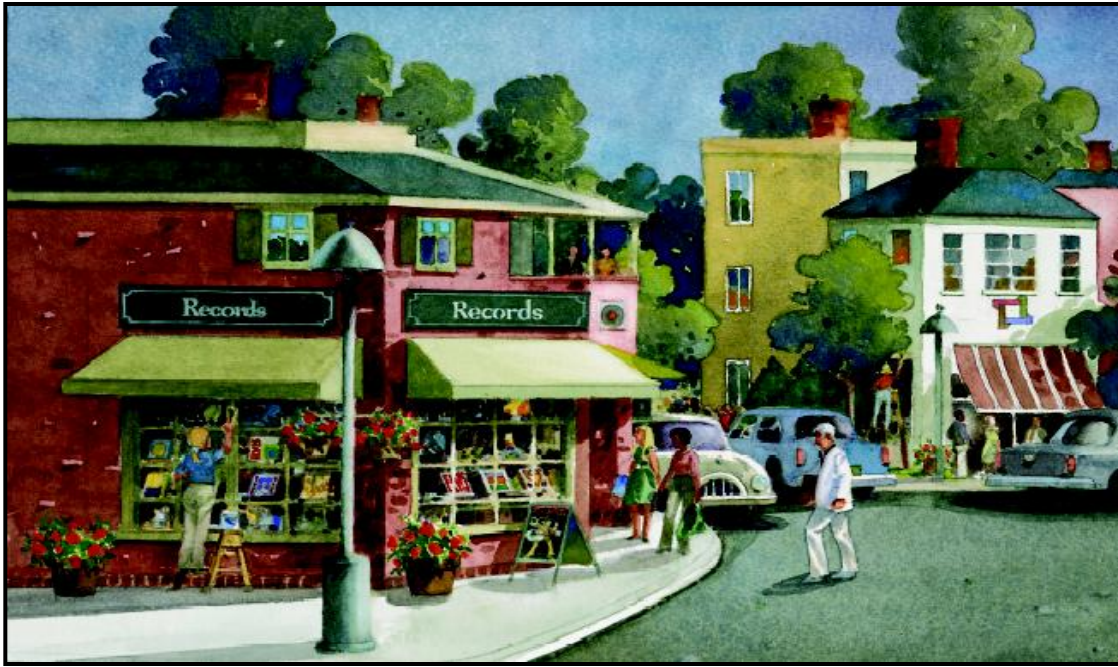


# 3

## SUPPLY AND DEMAND II: MARKETS AND WELFARE





7

# Consumers, Producers, and the Efficiency of Markets

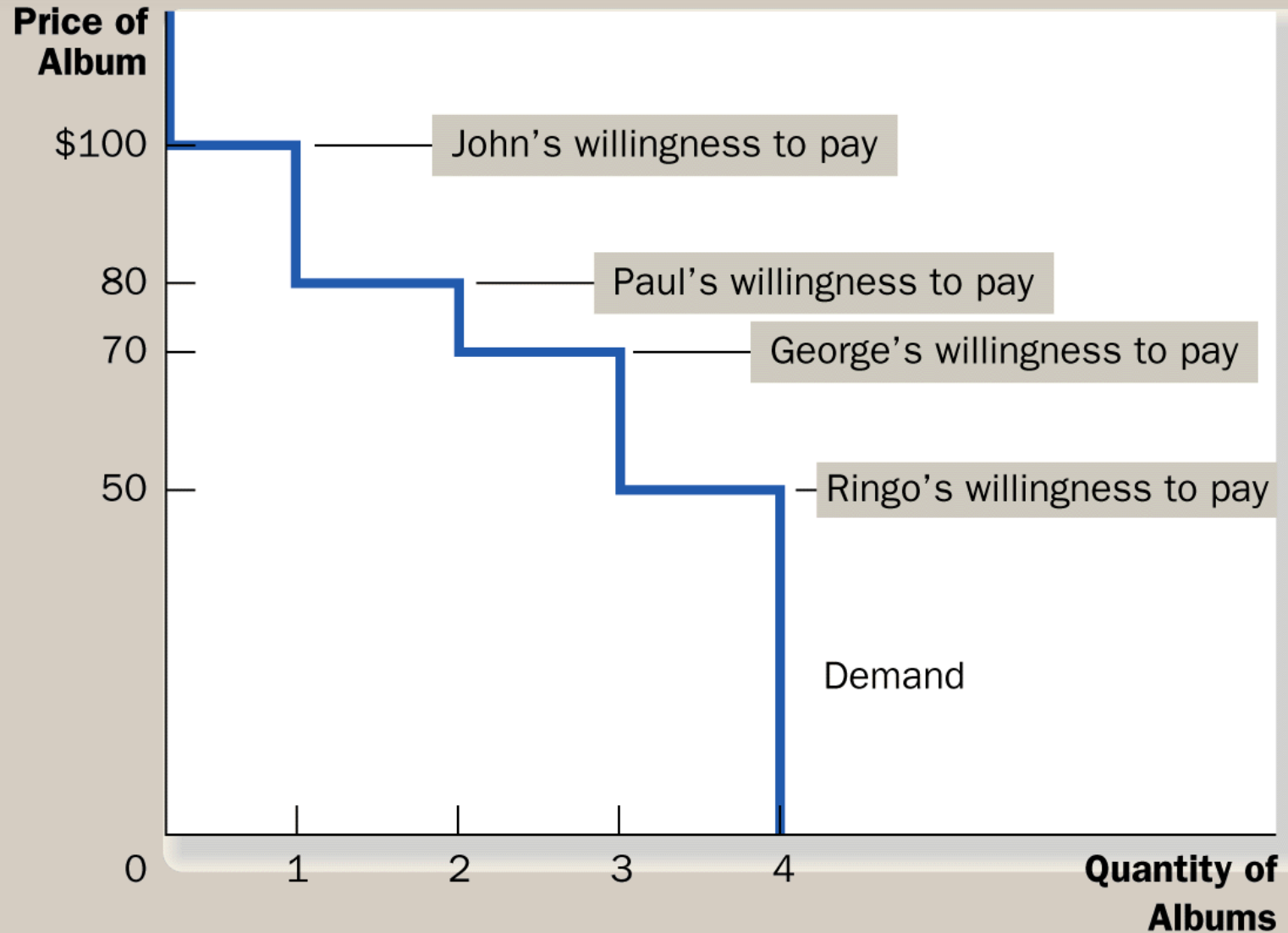
## Table 1 Four Possible Buyers' Willingness to Pay

Buyer	Willingness to Pay
John	\$100
Paul	80
George	70
Ringo	50

# Figure 1 The Demand Schedule and the Demand Curve

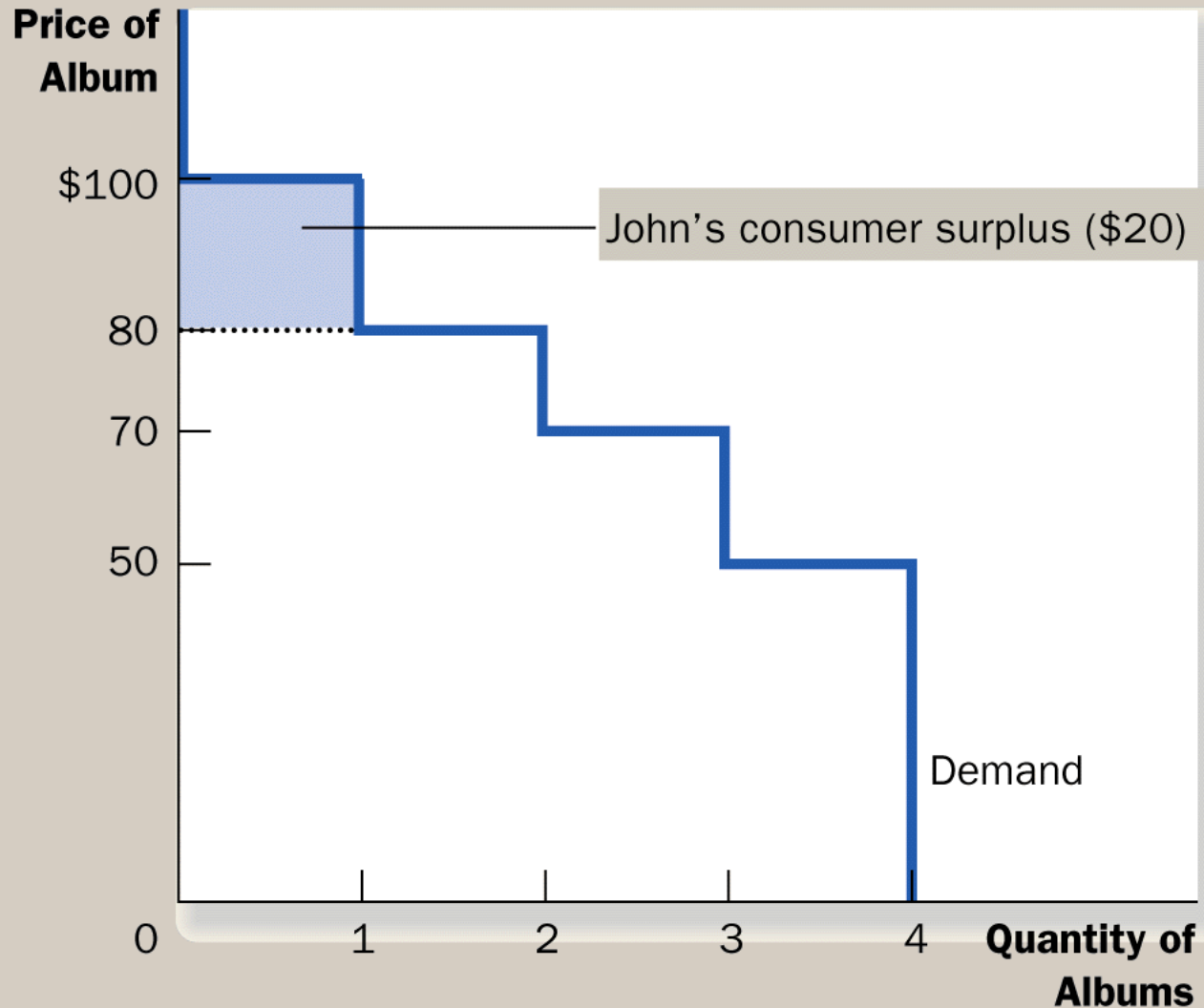
Price	Buyers	Quantity Demanded
More than \$100	None	0
\$80 to \$100	John	1
\$70 to \$80	John, Paul	2
\$50 to \$70	John, Paul, George	3
\$50 or less	John, Paul, George, Ringo	4

# Figure 1 the Demand Schedule and the Demand Curve



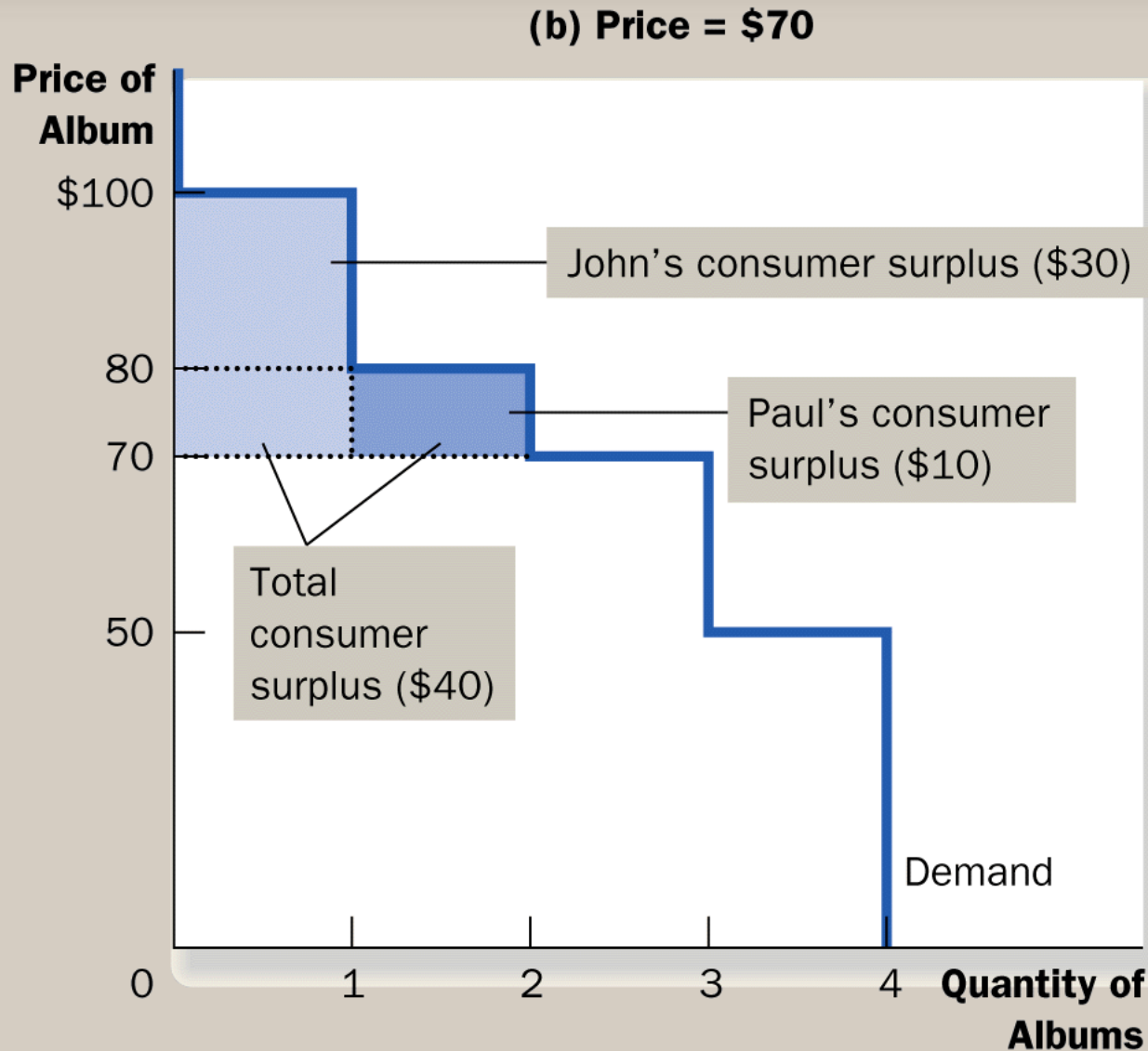
# Figure 2a Measuring Consumer Surplus with the Demand Curve

(a) Price = \$80



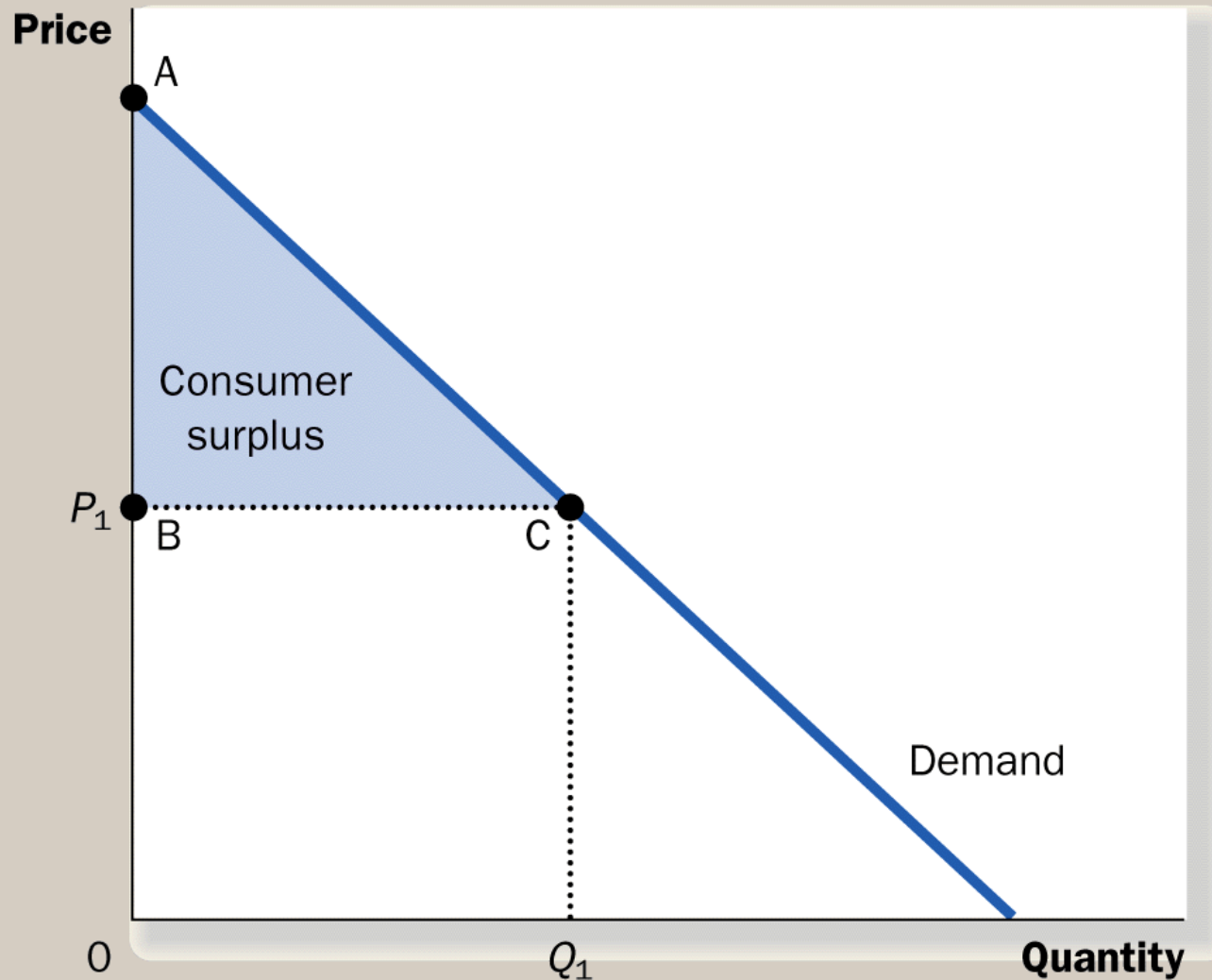


# Figure 2b Measuring Consumer Surplus with the Demand Curve



# Figure 3a How the Price Affects Consumer Surplus

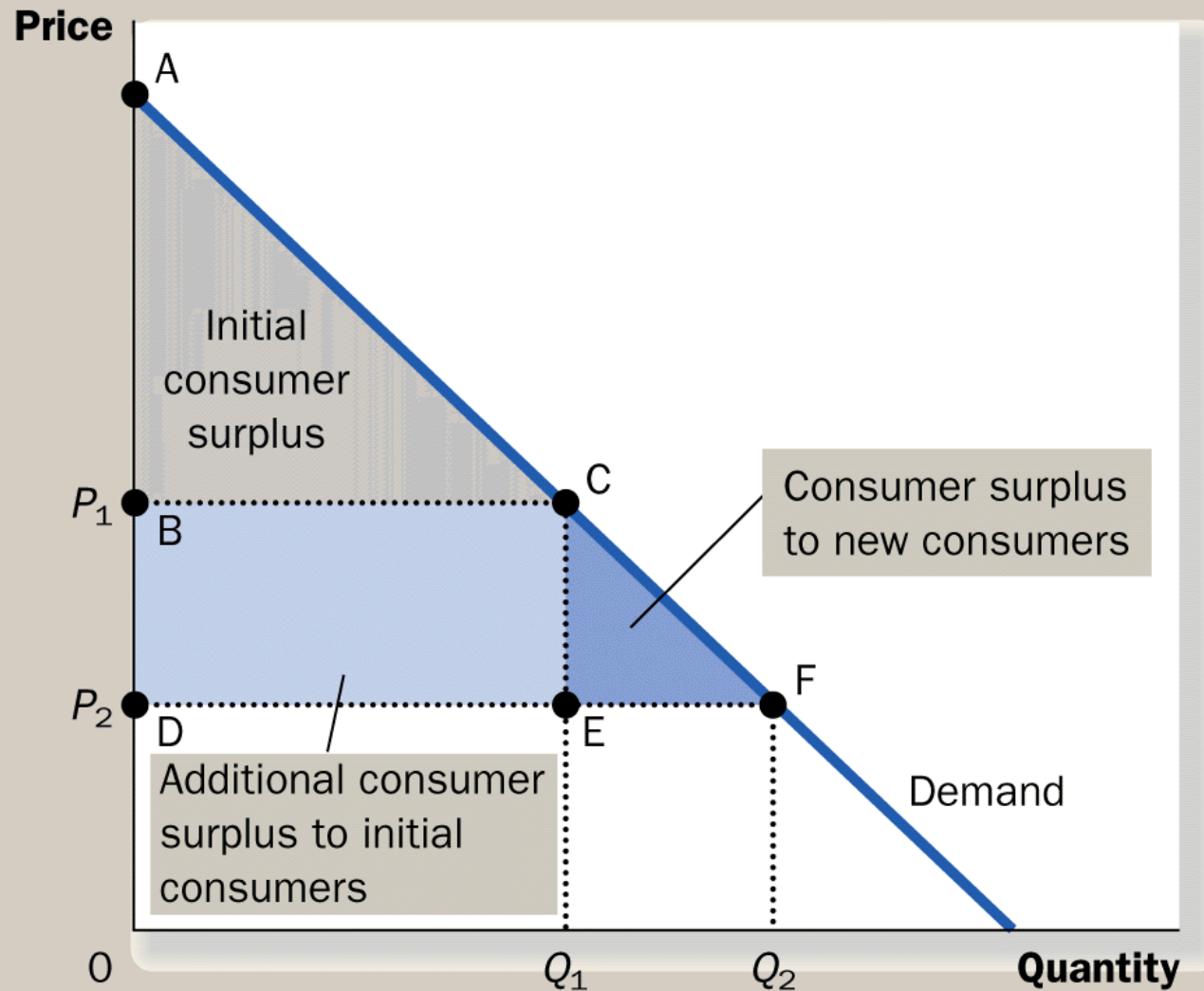
(a) Consumer Surplus at Price  $P_1$





# Figure 3b How the Price Affects Consumer Surplus

(b) Consumer Surplus at Price  $P_2$



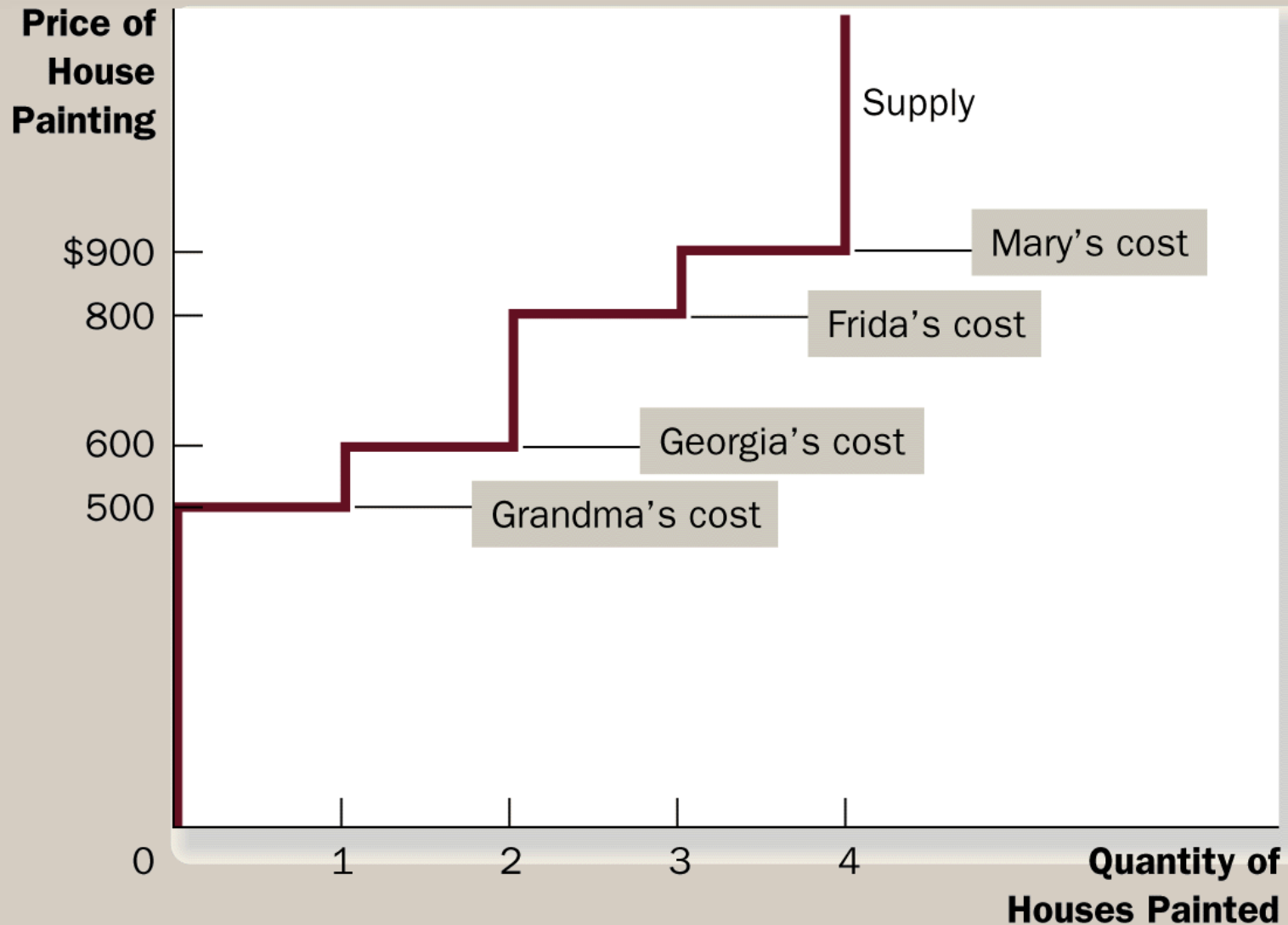
## Table 2 The Costs of Four Possible Sellers

<b>Seller</b>	<b>Cost</b>
Mary	\$900
Frida	800
Georgia	600
Grandma	500

# Figure 4 The Supply Schedule and the Supply Curve

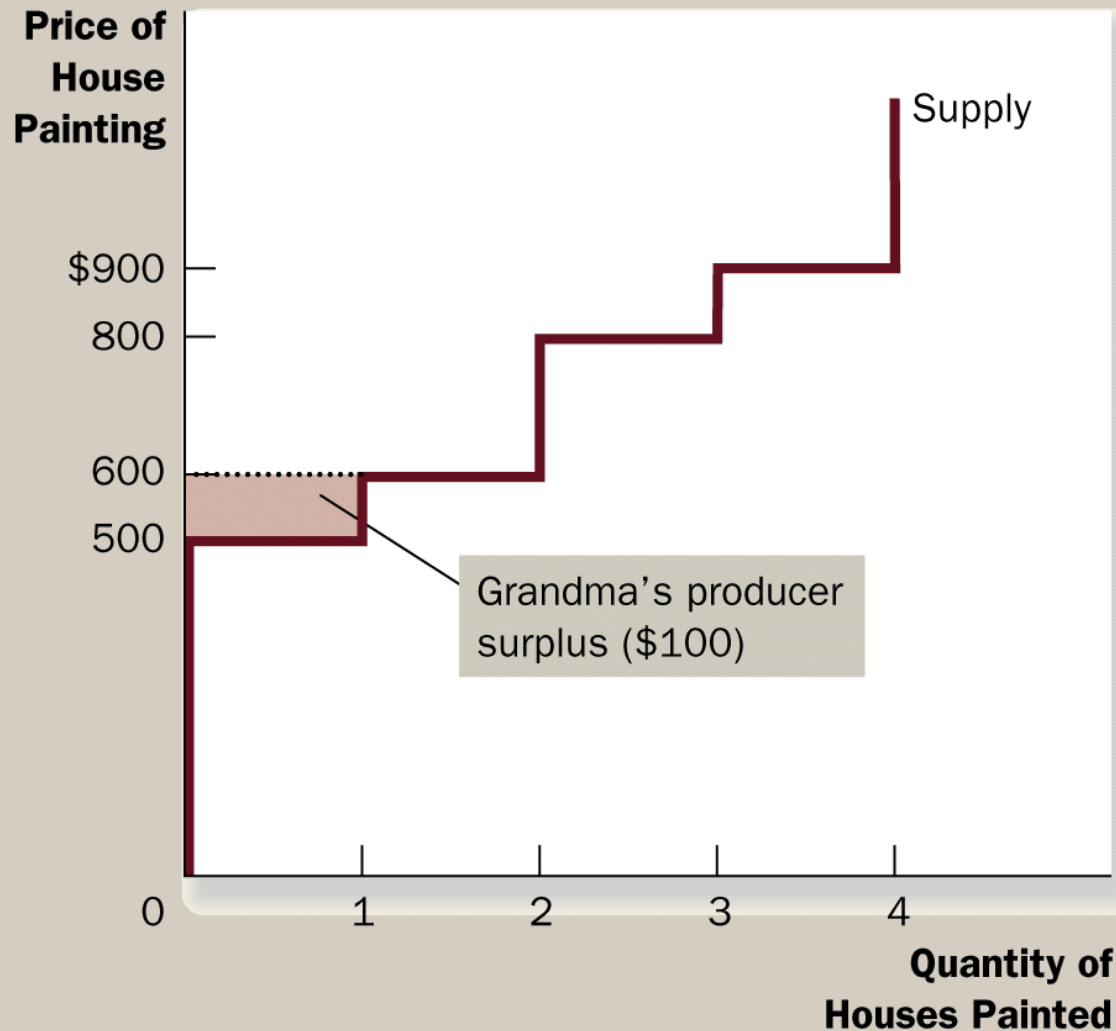
Price	Sellers	Quantity Supplied
\$900 or more	Mary, Frida, Georgia, Grandma	4
\$800 to \$900	Frida, Georgia, Grandma	3
\$600 to \$800	Georgia, Grandma	2
\$500 to \$600	Grandma	1
Less than \$500	None	0

# Figure 4 The Supply Schedule and the Supply Curve



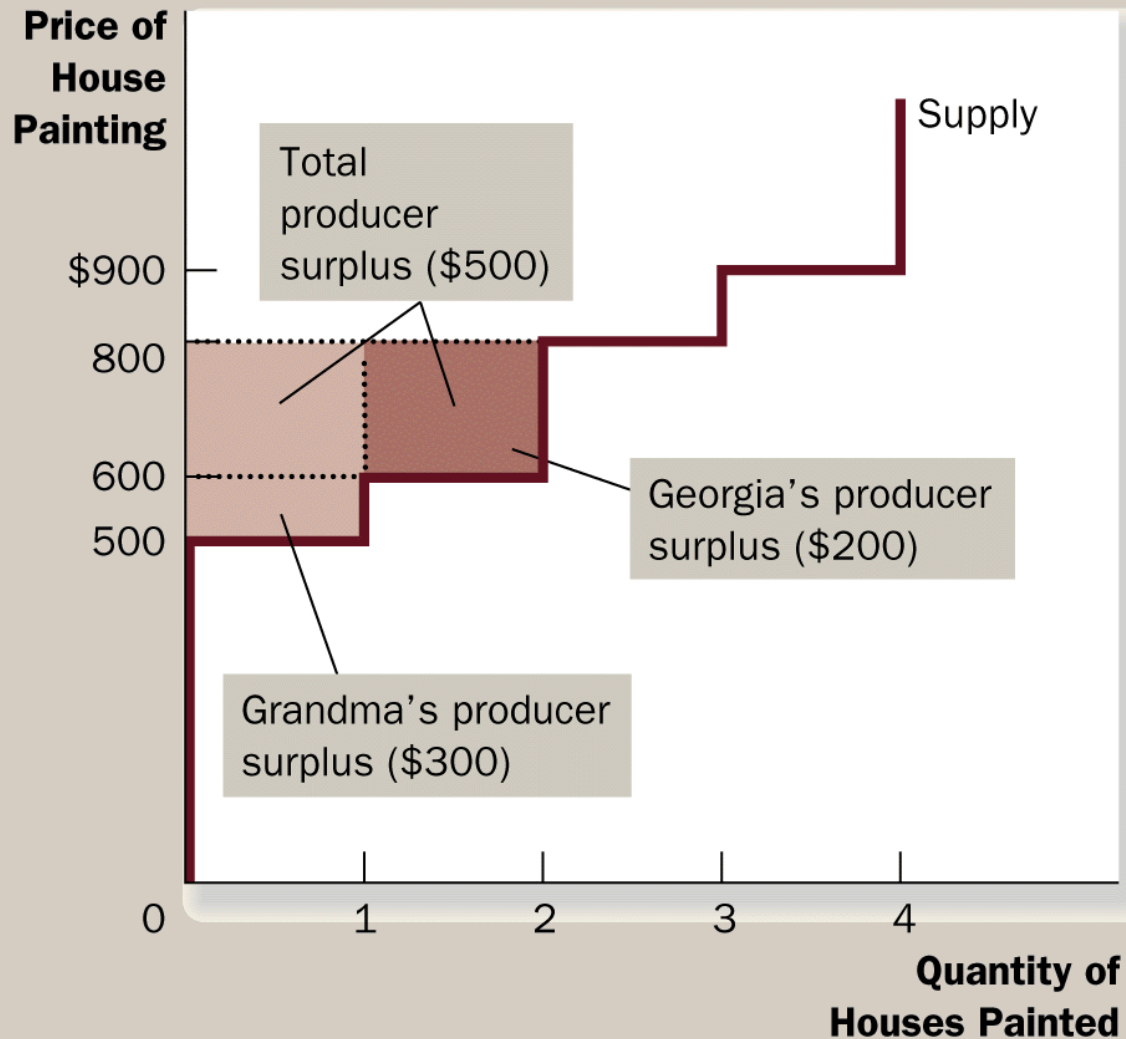
# Figure 5a Measuring Producer Surplus with the Supply Curve

(a) Price = \$600



# Figure 5b Measuring Producer Surplus with the Supply Curve

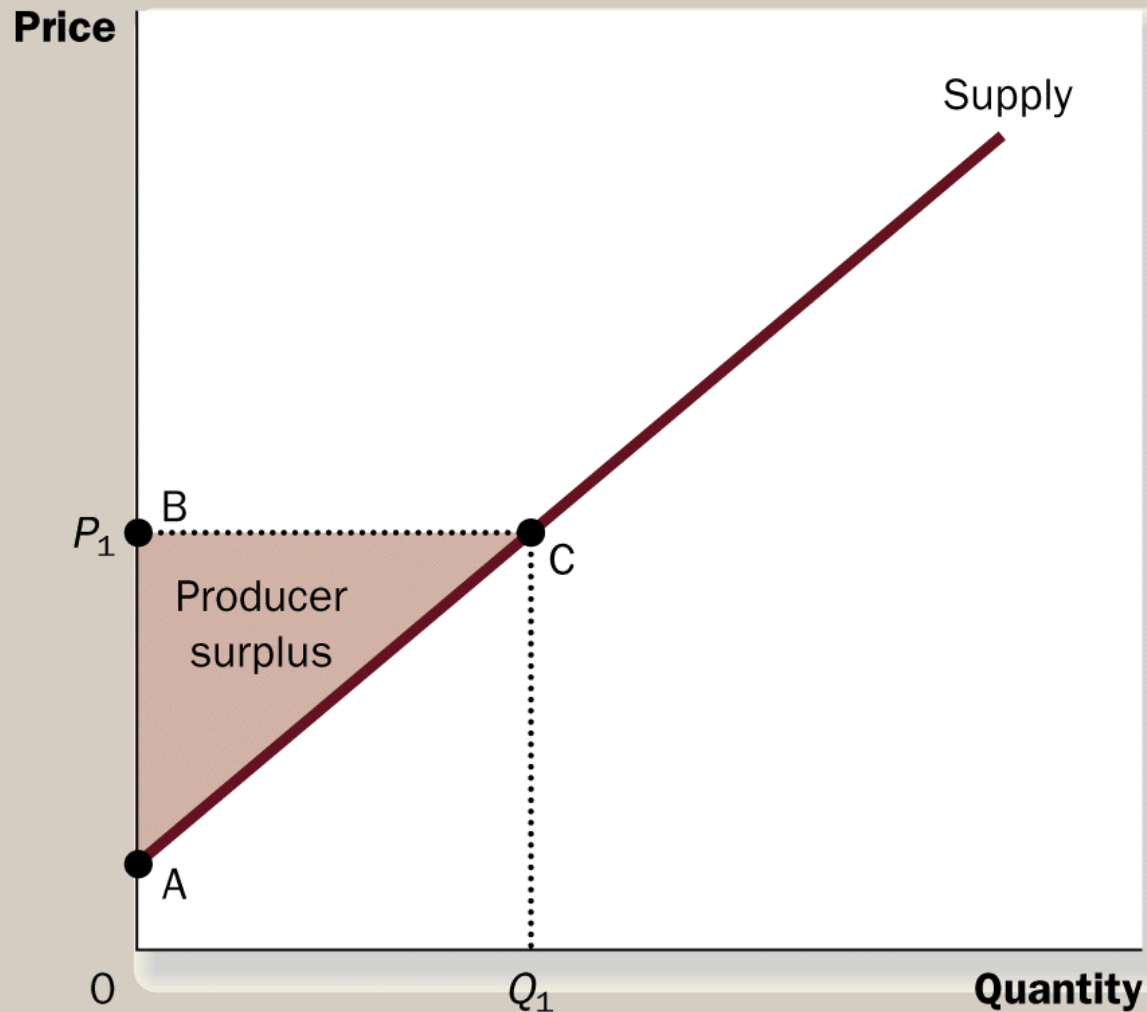
(b) Price = \$800





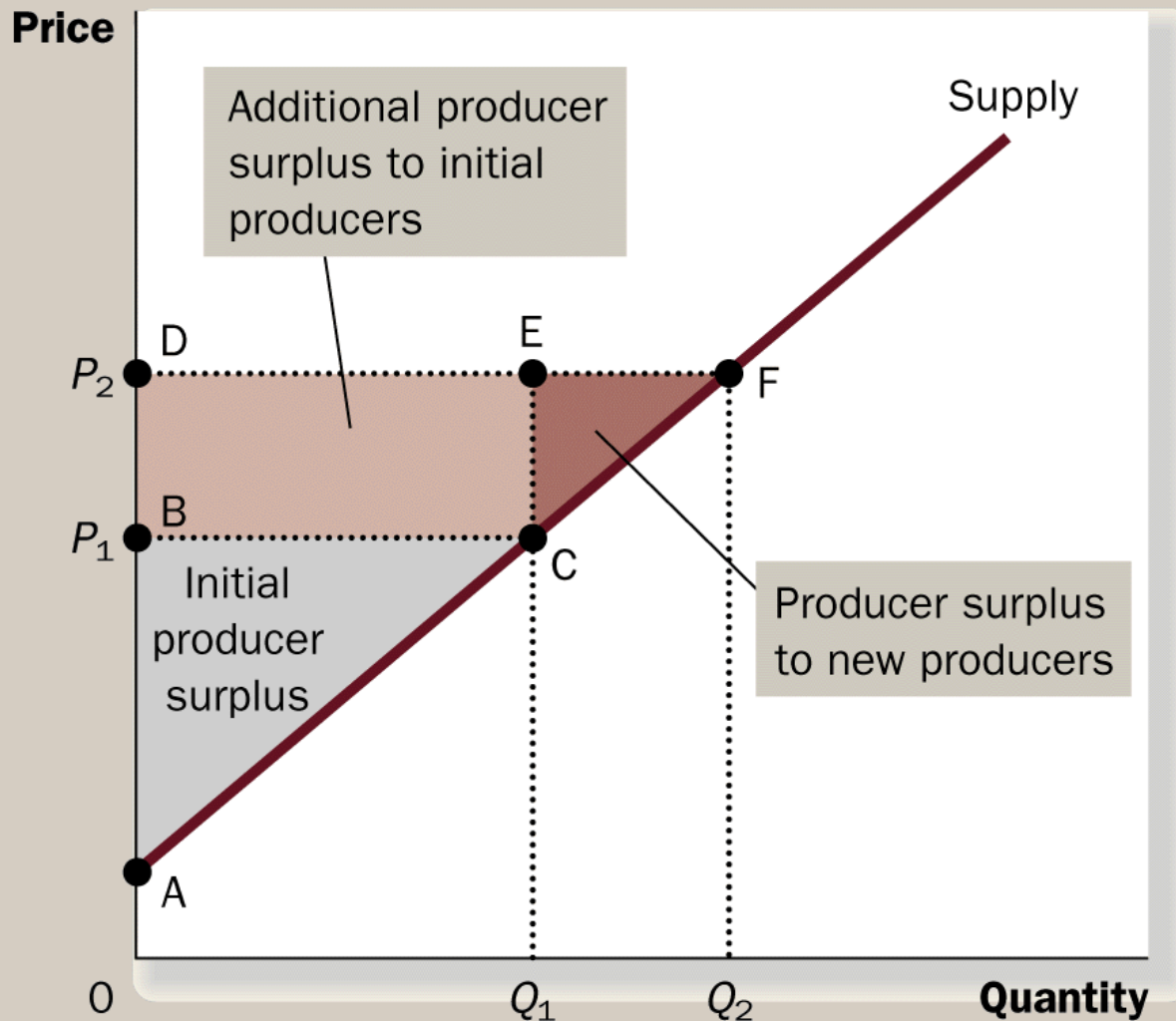
# Figure 6a How the Price Affects Producer Surplus

(a) Producer Surplus at Price  $P_1$

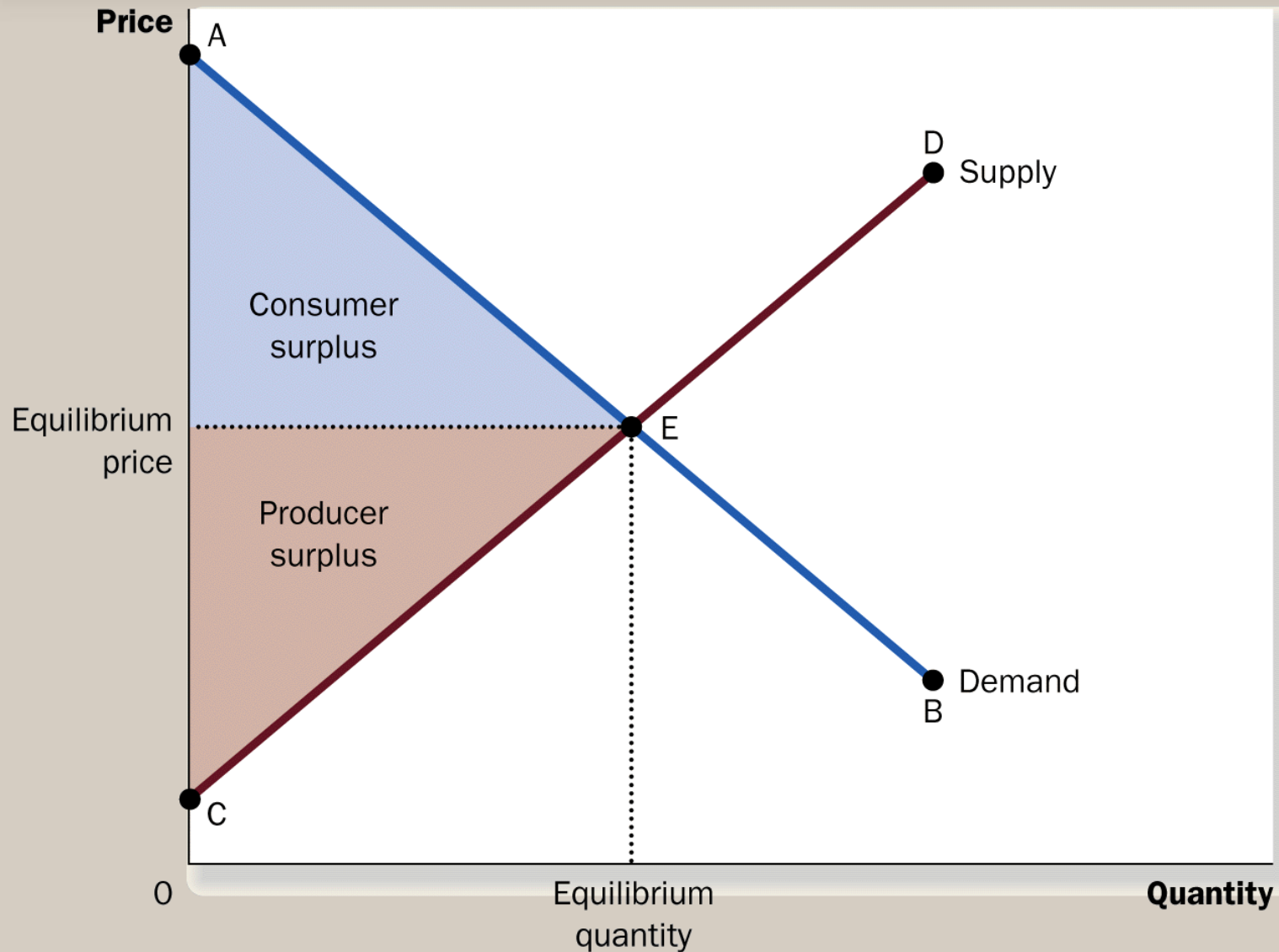


# Figure 6b How the Price Affects Producer Surplus

(b) Producer Surplus at Price  $P_2$



# Figure 7 Consumer and Producer Surplus in the Market Equilibrium



# Figure 8 The Efficiency of the Equilibrium Quantity

