

Weekly journal

Literature, Russian Literature



Weekly Journal – Chapter 5 Chapter 5 of the text book focuses on the economic s of consumer and producer surplus and the demand and supply curves associated with them along with the gains of both forms of surpluses. Consumer surplus occurs when there is a difference between the price that the consumers are ready to pay in order to acquire certain goods and services and the price that they actually pay (Krugman 110). Consumer surplus is achieved when the prices they actually pay is less than the price they were ready to pay for the good or service. On the other hand producer surplus is a term used to refer to the difference in the price at which he/she is willing to sell a particular good or service and the price that he is actually paid for the good or service. Producer surplus is attained if the price that he is actually paid is more than the minimum price that he was ready to accept in exchange of a particular good or service (Krugman 116). Both consumer and producer surplus can be calculated in terms of gains attained by individual consumers and suppliers as well as the sum of gains that all the producers and consumers gain. Total surplus takes place when all the members of the societies including the consumers as well as the producers experience gain or surplus for selling and consuming a particular good or service. Certain actions such as increased taxes on revenue can result in decreasing the total surplus that is experienced by the society (Krugman 127).

Works Cited

Krugman, Paul R, and Robin Wells. *Macroeconomics*. 3rd ed. New York, NY: Worth Publishers, 2013. Print.