# Syllabus Reference 1: Consumer Surplus + Producer Surplus

***Webnote***

***106***

## P

**D (= marginal benefit,utility)**

**S (= marginal cost)**

**CS**

**Pm**

**Read:**

**Blink pp 126-127**

**PS**

**0 Qm Q**

**Notes**:

* Pm = equilibrium price or clearing price agreed between the consumer and the producer
* CS = benefit to consumer, Pm **<** ability to pay
* PS = benefit to producer, Pm **>** willingness to supply
* CS +PS = CS, (community surplus) This is important as at Pm community surplus is maximized.
* This is why the market is desirable and can allocate resources effectively as both consumer and producer benefit