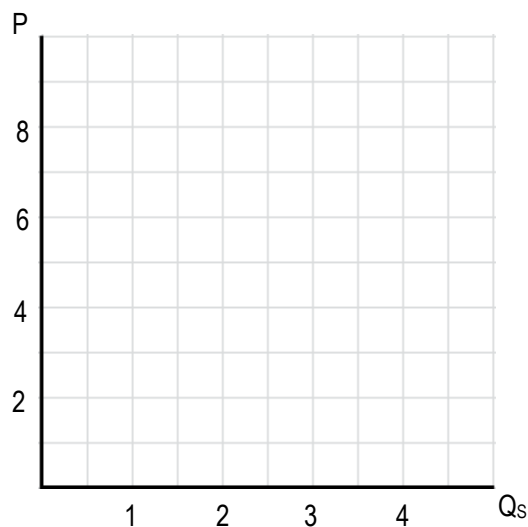


**CONCEPT: PRODUCER SURPLUS AND WILLINGNESS TO SELL**

- The \_\_\_\_\_ represents the **willingness to sell** of producers.
- A **producer surplus** exists when someone is willing to sell for \_\_\_\_\_ than the market price.

*Producer Surplus = Market Price – Willingness to Sell*

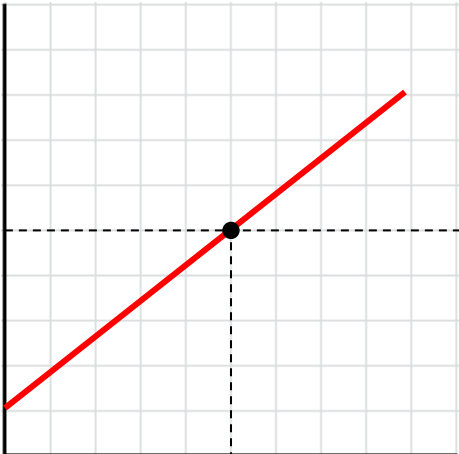
- We can also think of willingness to sell as the \_\_\_\_\_ to society.



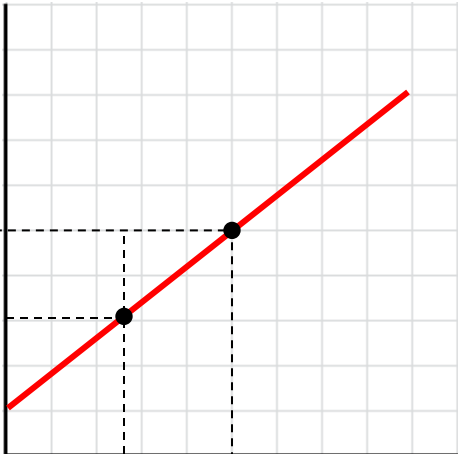
Producer	Willingness to Sell (\$)	Producer Surplus when P=7		Producer Surplus when P=5		Producer Surplus when P=4	
Bart	8						
Lisa	6						
Marge	4						
Homer	2						
		Qs	PS				

*Producer Surplus = The Area Below Market Price and Above the Supply Curve =  $\frac{1}{2}bh$*

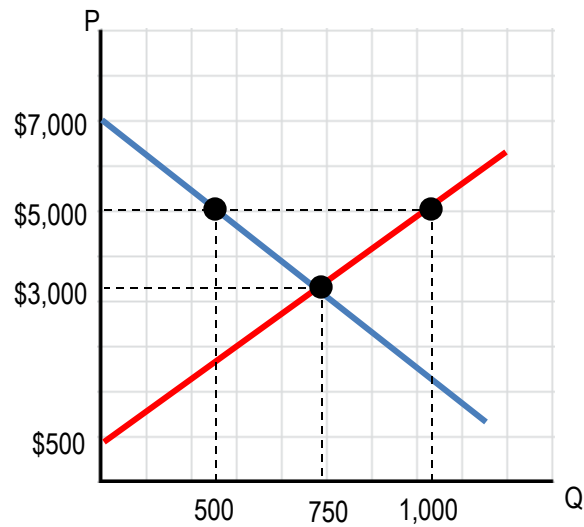
Original Producer Surplus



Producer Surplus After Price Decrease



**EXAMPLE:** The graph below represents the market for funky-fresh rhymes.



At a price of \$3,000 per funky-fresh rhyme, what is the producer surplus?

- a) \$937,500
- b) \$1,125,000
- c) \$1,875,000
- d) \$2,250,000

**PRACTICE:** Use the graph for funky-fresh rhymes above. If a shift in demand causes equilibrium price to increase from \$3,000 to \$5,000 per funky-fresh rhyme, what is the change to producer surplus?

- a) \$2,250,000 increase
- b) \$2,250,000 decrease
- c) \$1,312,500 increase
- d) \$1,312,500 decrease