



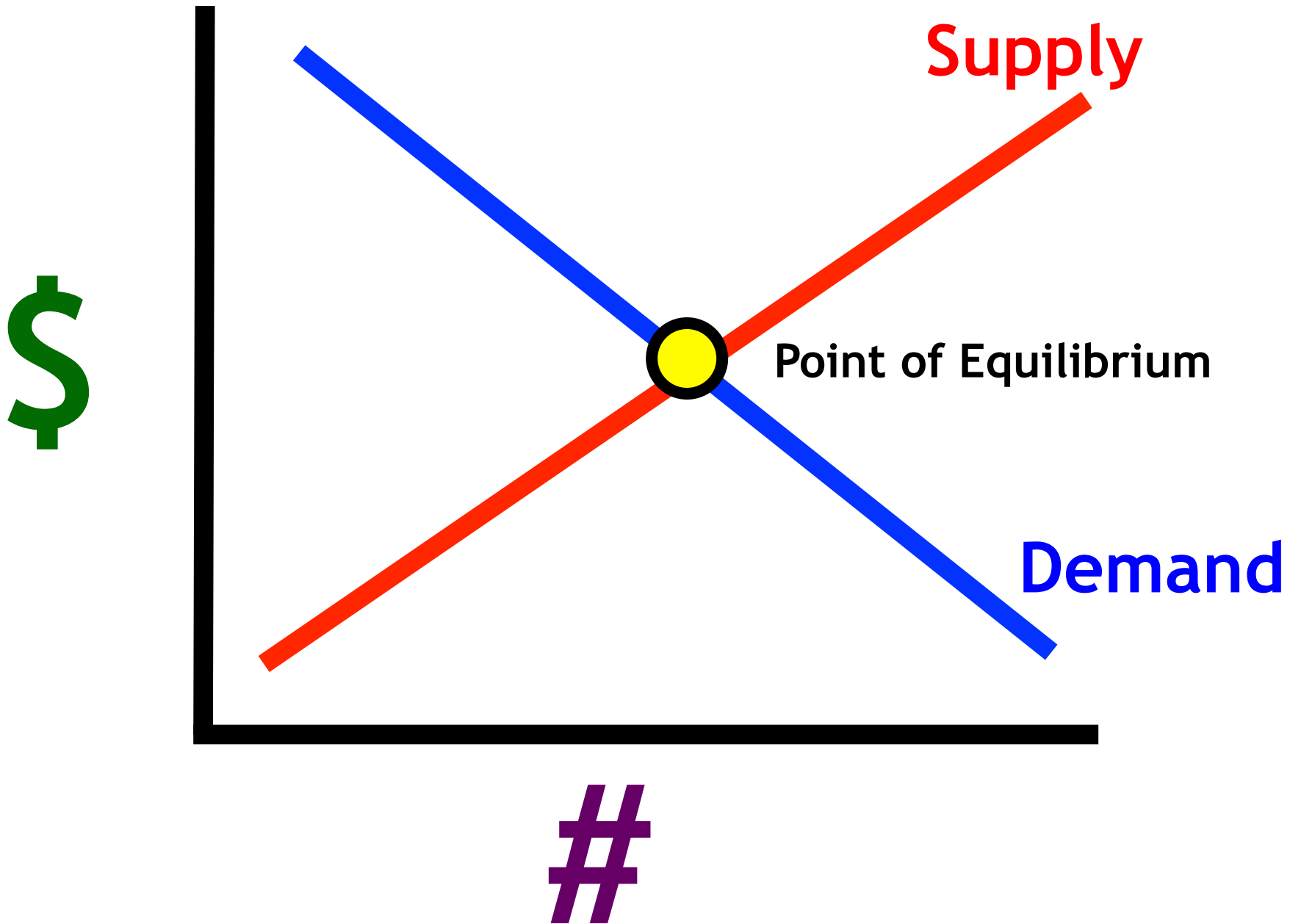
Supply, Demand, Surplus, and Efficiency

Eric E. Johnson

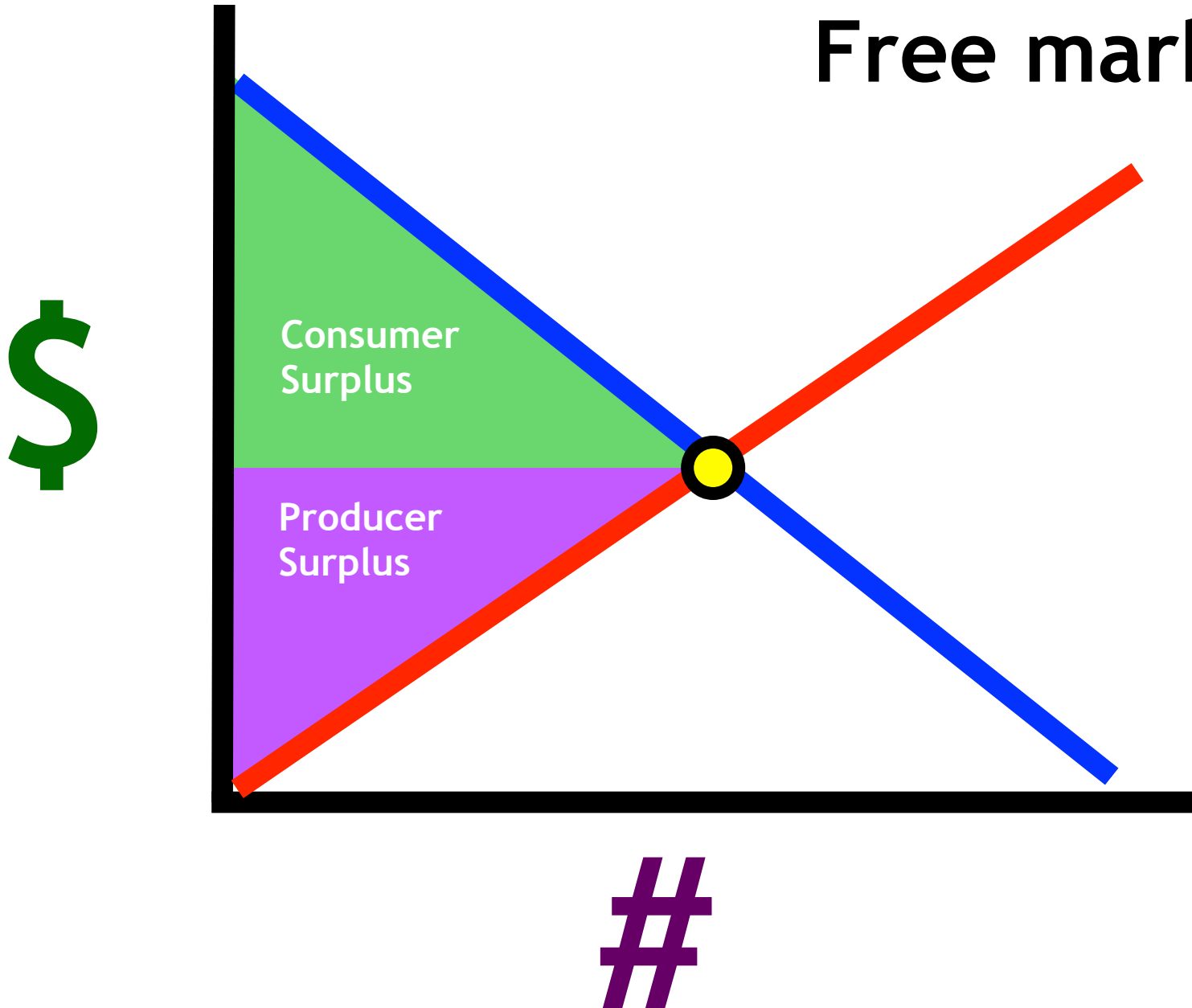
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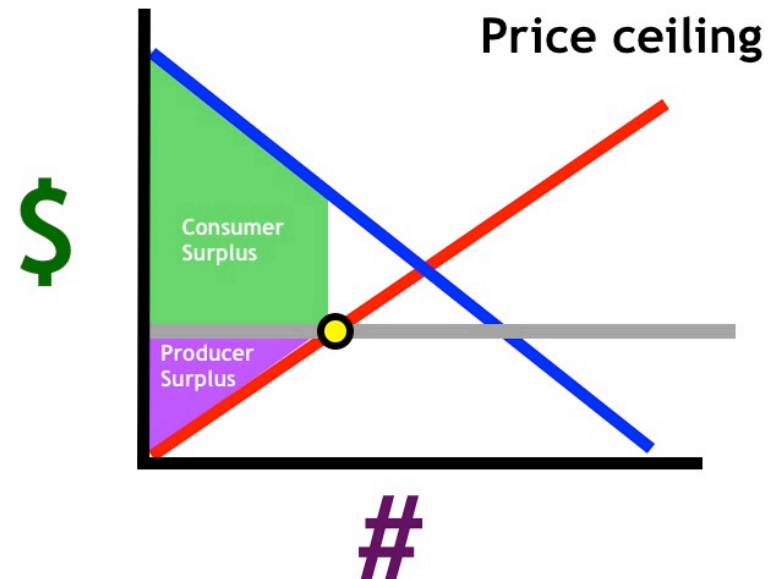
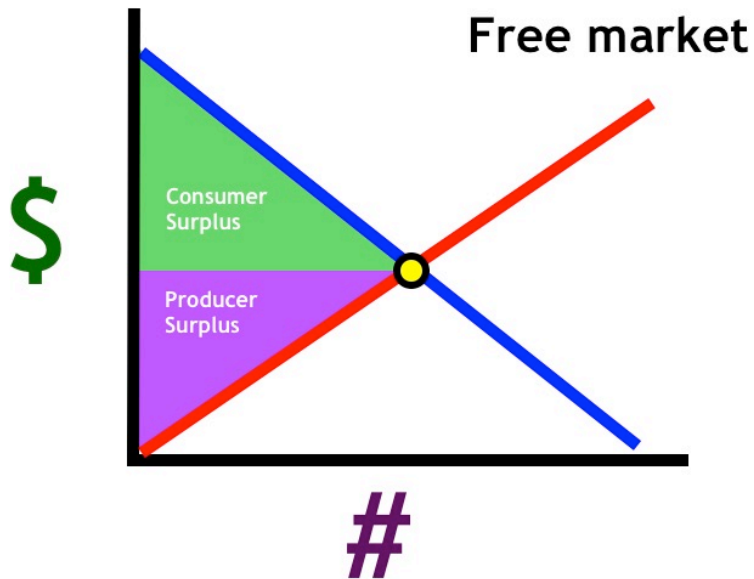


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Free market

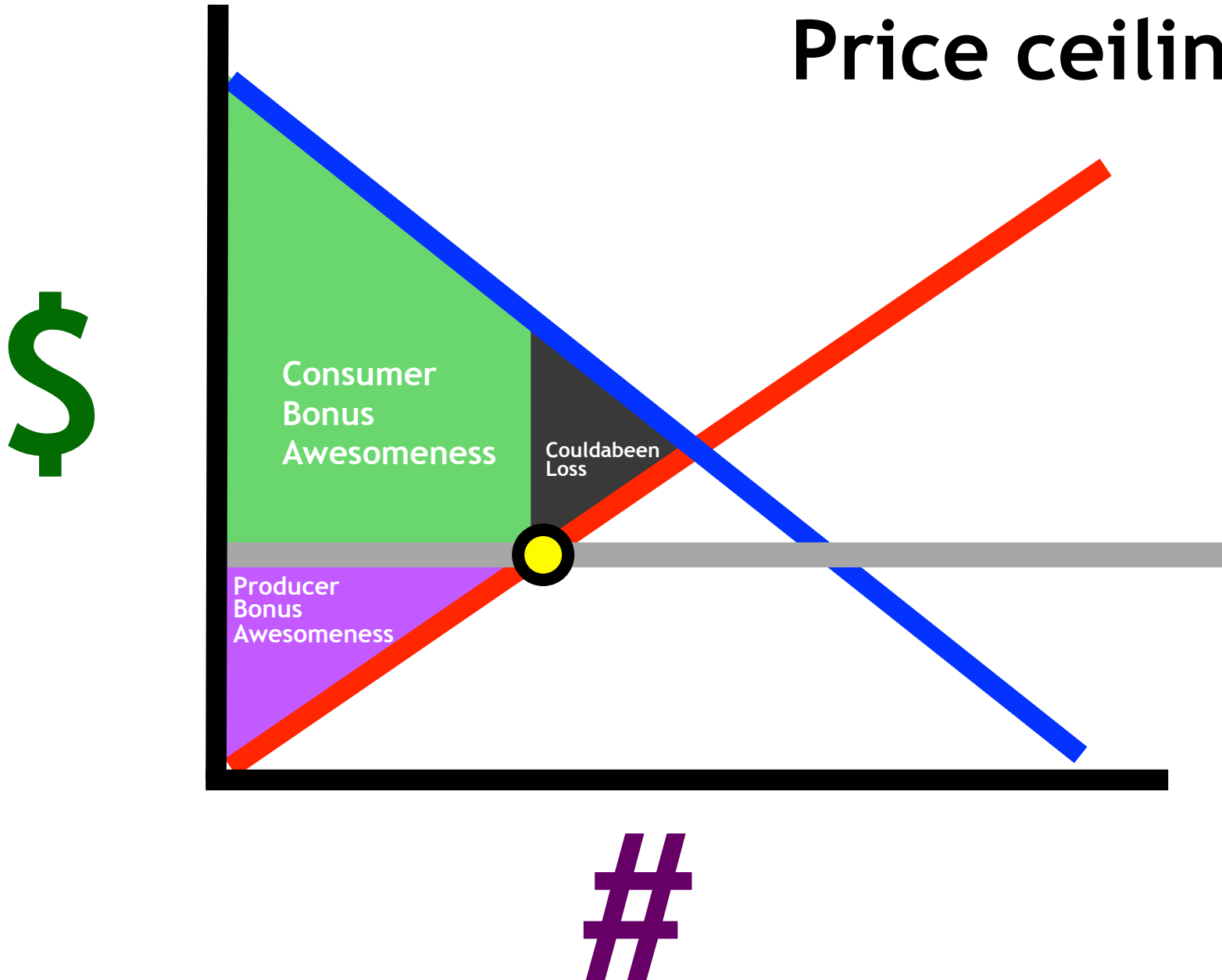




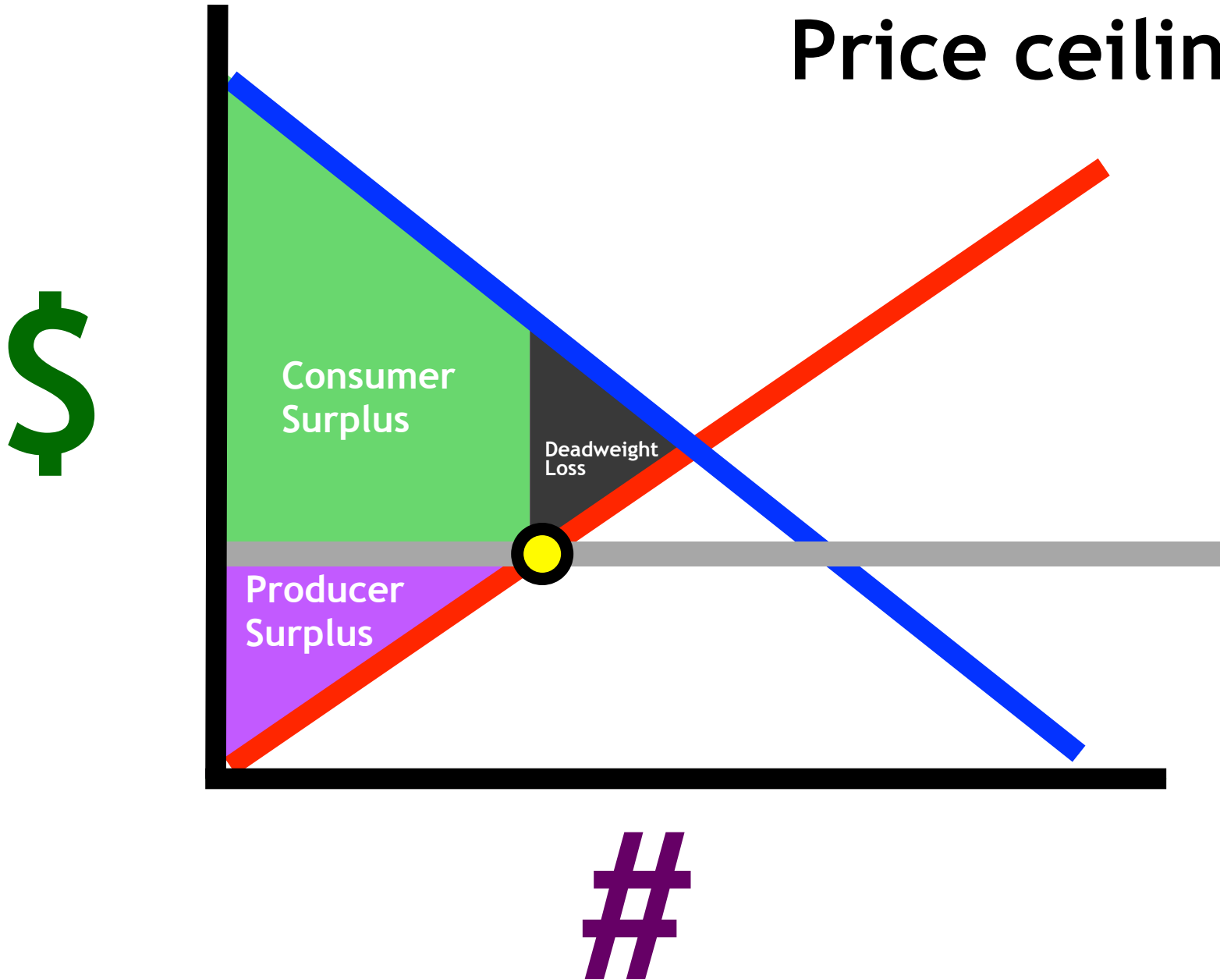
Notice that two things have happened:

- Some of the producer surplus became consumer surplus.
 - This means some consumers came out better than before (more bonus awesomeness).
 - And it means many producers lost out on surplus they would have gotten otherwise.
- Some deals that were made before aren't getting made.
 - So some consumers are disappointed they didn't get to purchase at the higher price they would have been happy to pay.
 - And some producers are disappointed they didn't get to produce and sell at the higher price some consumers would have been happy to pay.

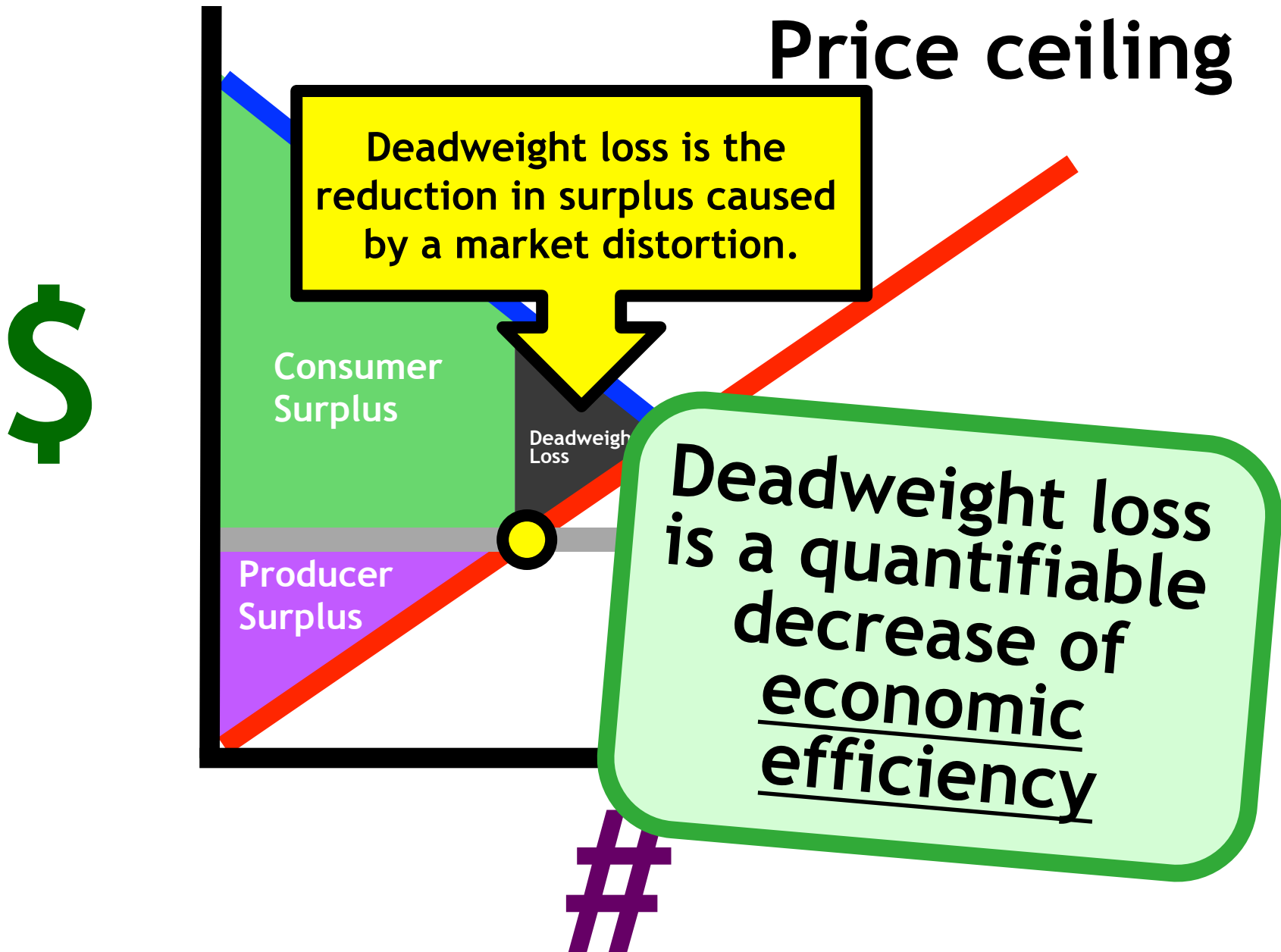
Price ceiling



Price ceiling



Price ceiling



Deadweight loss is the reduction in surplus caused by a market distortion.

Consumer Surplus

Producer Surplus

Deadweight Loss

Deadweight loss is a quantifiable decrease of economic efficiency

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