ANDSOCIALREW

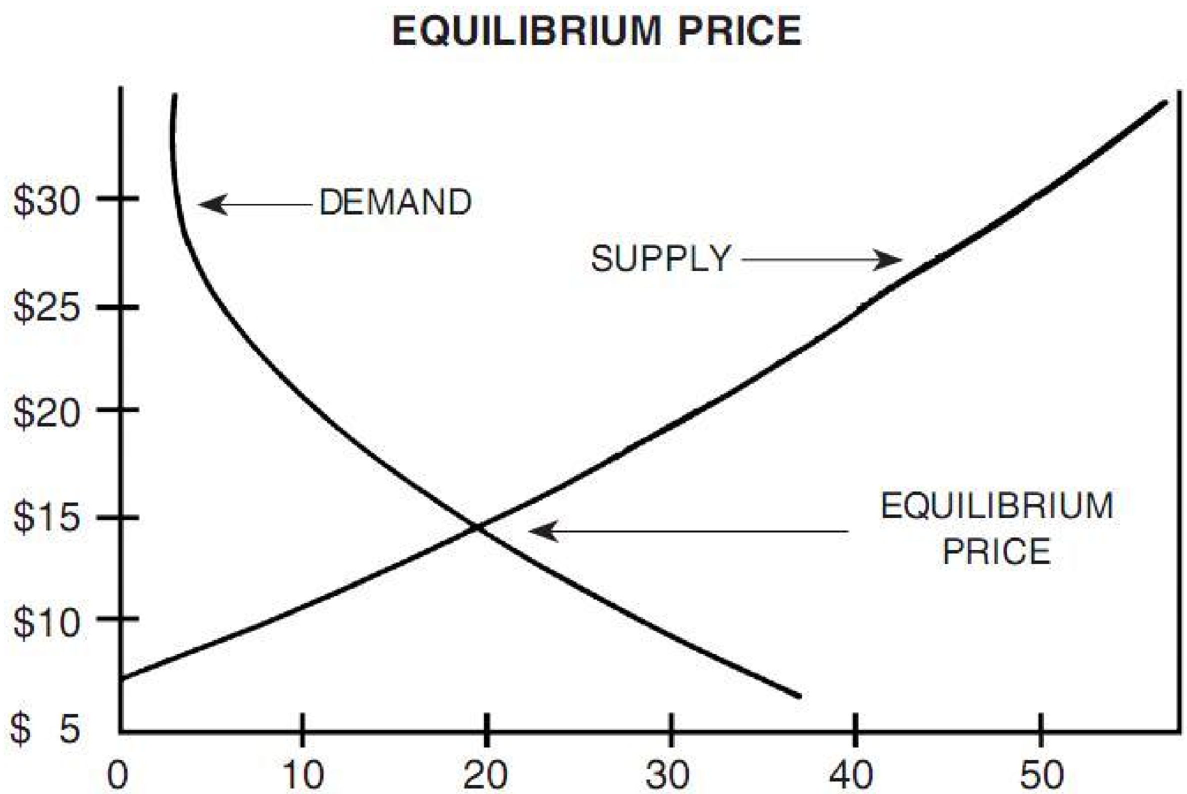
What is Economic Surplus?

A Guide on the Fundamental

Andrew Nassif

2013

Economic surplus could mean up to three things: excess of supplies, an extent in which people's assets exceeds their liability, profits remaining after a company subtracts their major expenses. Another word for Economics surplus is Marshallian Surplus, named after the great economics himself Alfred Marshall. The two types of surplus are consumer and producer surplus. Consumer surplus is the monetary gain of an item purchased by the consumer. Producer's surplus is the producer/company's benefit of bringing an item to the market for a certain price. Paul Baran, introduced Marshall's concept as having to do with supply and demand. Meaning when the producer's supplies meet the consumer's demand then it is a mutual economic surplus.



Calculation:

$$CS = \int_{P_{mkt}}^{P_{max}} D(P)\,dP,$$

CS= Consumer Surplus

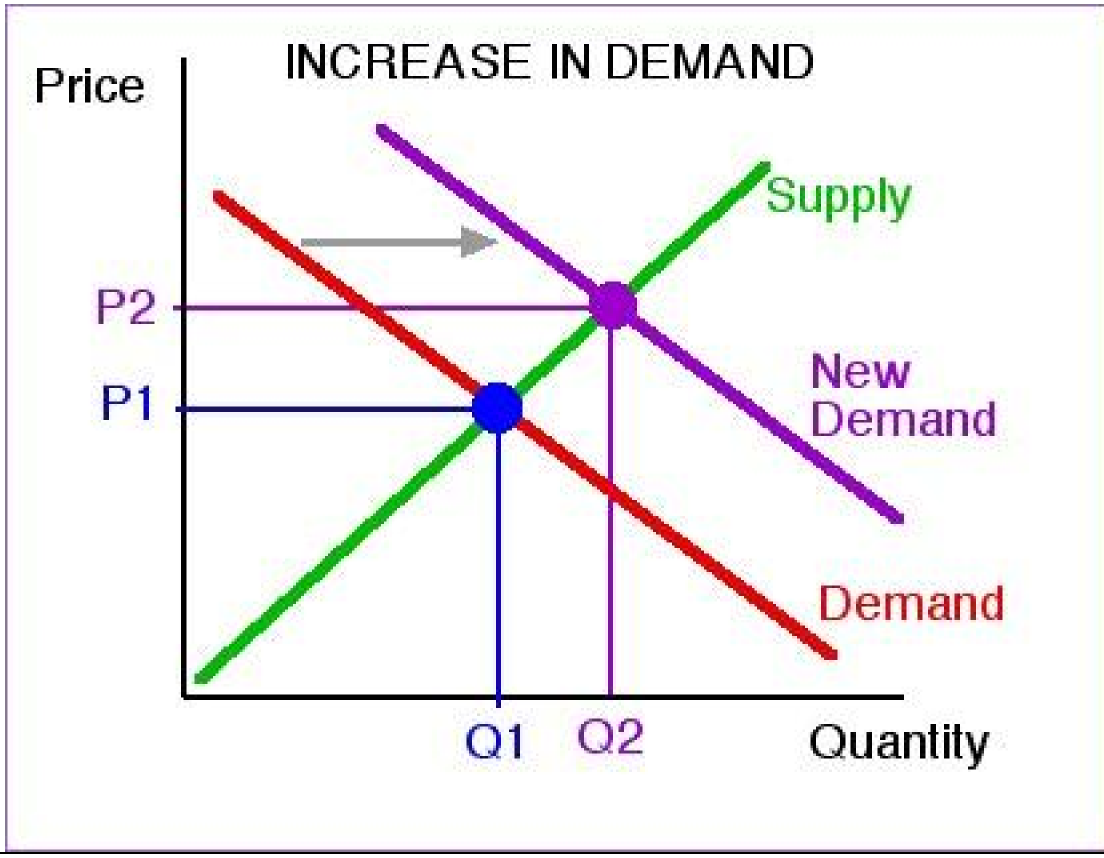
P_{max}= Equilibrium price

P_{mkt}= The price in which the quantity purchase would fall to 0

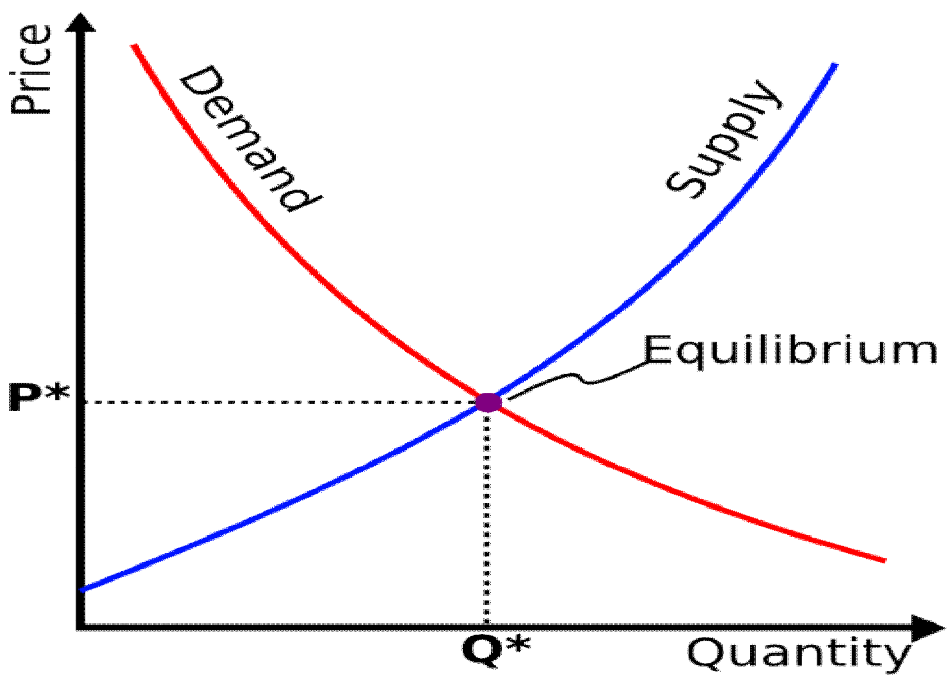
D= Demand

$D(P_{max})=0$

This is the distribution of supply and demand and also the distribution where price equals benefits. When the amount of goods expands in the market, the price becomes lower and so does the demand.



An economic shortage is when the amount of supply doesn't meet the amount of demand causing a huge shortage of amount of goods in the market from that particular product. This is when it could even reach a quantity of 0 or (Q_0) as one might refer to as a disparity in supplies. This can even lead to rationing on the amount of goods that are available in the market. The more the price increase the less the demand, the more the price decreases, the higher the demand is in the market.



Sources:

1. ^ Baran, P.A. & Sweezy, P.M. (2012). "Some Theoretical Implications". *Monthly Review*. **64** (3).
2. ^ *Deardorff's Glossary of International Economics* (2006). "Welfare economics."
3. ^ As found in the Journal of Economic Literature classification codes under JEL: D6.
4. ^ Fonseca, Gonçalo L.. "The Paretian System: Scitovsky Reversals and the Double Criteria". http://cepa.newschool.edu/het/essays/paretian/paretosocial.htm#scitovsky.
5. Posner, Richard A. (2007). *Economic Analysis of Law* (Seventh ed.). Austin, TX: Wolters Kluwer. ISBN 0-7355-6354-3.
6. Scitovsky, *The Joyless Economy: An Inquiry into Human Satisfaction and Consumer Dissatisfaction* (Oxford, 1976) ISBN 0-19-507347-9
7. Mark Blaug and Howard R. Vane (1983, 2003 4th ed.). *Who's who in Economics*. Table of Contents links. Cheltenham & Edward Elgar Pub.
8. Pressman, Steven, 2006. *Fifty Major Economists*. Routledge,
9. Robert Sobel, 1980. *The Worldly Economists* .