Applying Consumer Surplus

Value of a Process
- A firm has developed a new product, selling at P. How much consumer surplus does each consumer get?
- Look at the graph to the right.

Of course, if I ran the firm, I want to figure out how to get that consumer surplus for myself. There are ways; we talk about them later.

Value of a License
- A firm is selling a product, at its cost of P.
- Suppose it could require consumers to pay a fee for the right to purchase the product.
Value of a License

- A firm is selling a product, at its cost of $P$.
- Suppose it could require consumers to pay a fee for the right to purchase the product.
- How much could they charge?

Of course, if I run the firm, I want to figure out how to get that consumer surplus for myself. There are ways; we talk about them later.

Cost of Restrictions

- A product is currently being sold for $SP$. The government restricts sales by requiring a higher price.
- What is the lost consumer surplus?

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**A New Product**

- A research program costing $X$ will lead to a new product which can be made and sold for $P$. How much benefit will consumers get out of the product?

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**Application to New Product**

- If CS > X develop the product. If CS < X, abandon the research project.

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End