



Consumer surplus is the difference between the maximum price a consumer is willing to pay and the actual price they do pay. If a consumer would be willing to pay more than the current asking price, then they are getting more benefit from the purchased product than they spent to buy it. An example of a good with generally high consumer surplus is drinking water. People would pay very high prices for drinking water, as they need it to survive. The difference in the price that they would pay, if they had to, and the amount that they pay now is their consumer surplus. Note that the utility of the first few liters of drinking water is very high (as it prevents death), so the first few liters would likely have more consumer surplus than subsequent liters.

As we can see from the diagram, if the number of restaurants rises (supply rises), the consumer surplus also rises.