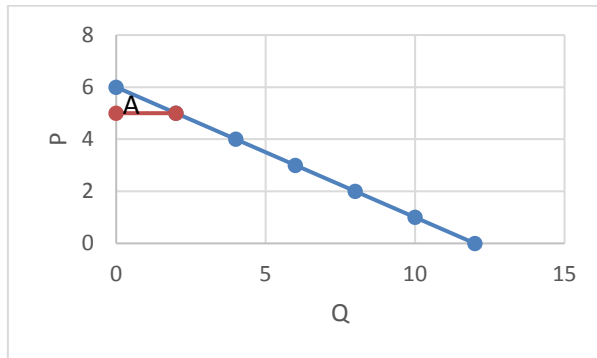# Answer on Question #70120 – Economics – Microeconomics

Question:

Provide an intuitive explanation for why "buy one, get one free" deal is not the same as a "half-price" sale. Use demand curve Q=12-2P, and original price P∗ = 5 to calculate consumer surplus under each deal.
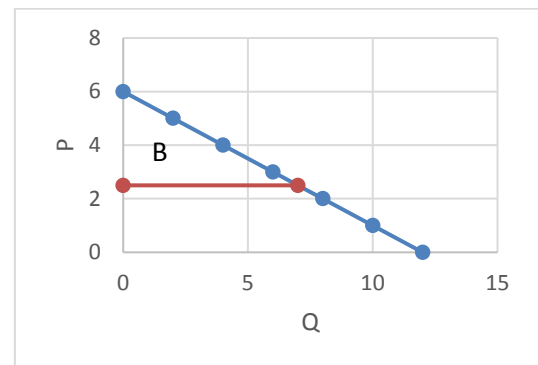
Answer:
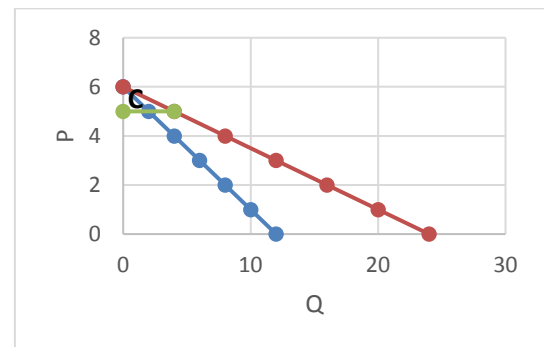
Original customer surplus: $S_A = \frac{1}{2}*1*2 = 1$

Customer surplus in case "half-price" sale: $S_B = \frac{1}{2}*7*3,5 = 12,25$

Customer surplus in case "buy one, get one free" deal $S_B = \frac{1}{2}*1*4 = 2$

"Buy one, get one free" deal and a "half-price" sale are not the same things. In case of "Buy one, get one free" the customer buys the good at the price of $5 and receives a free 1 additional item. In case of "half-price" sale, the customer buys one item at a lower price $2,5 but not the fact that he will spend the remaining $2.5 for the purchase of another unit. Therefore, in case of "half-price" sale, the consumer surplus is bigger.

Answer provided by https://www.AssignmentExpert.com