

Criticism of the Concept of Consumer's Surplus, Or Difficulties in the Measurement of Consumer's Surplus:

The concept of Consumer's Surplus has been criticised on several grounds:

6. This Concept is not Applicable to Necessaries:

The idea of Consumer's Surplus does not apply to the necessaries of life or conventional necessaries. In such cases the surplus is immeasurable. What would not a man be prepared to pay for a glass of water when he is dying of thirst?

7. The Complete List of Demand and Price not Available to Consumer:

Another ground on which the concept has been criticized is that the complete and reliable list of demand and prices is never available to the consumer. The demand schedule according to which he regulates and decides his purchases is not necessary to come true in practice. How

much the consumer would be willing to pay rather than go without the thing is something hard to answer correctly.

Practical Importance of Consumer's Surplus:

Economists are of this opinion that the actual measurement of Consumer's Surplus is a difficult task as utility being purely a psychological concept, yet the concept has a great practical importance.

1. Distinction between Value-in-use and Value in Exchange:

Consumer's Surplus points to the distinction between the use value and the exchange value of a thing. Commodities like salt and match-box have a great value-in-use but much less value in exchange. Being necessities and cheap things they yield, however a large Consumer's Surplus. The Consumer's Surplus depends on total utility, where as price depends on marginal utility.

2. Comparison of Gains from the International Trade:

Consumer's Surplus from international transactions enables us to compare the relative gains from the international trade of the different countries. For example—We can import things cheaply from abroad, but before importing, we were paying more for similar home produced goods. The imports, therefore yield a surplus satisfaction. This is Consumer's Surplus. The larger this surplus, the more beneficial is the international trade.