

Chapter 3

Applying the Supply-and-Demand Model



© 2004 Pearson Addison-Wesley. All rights reserved.

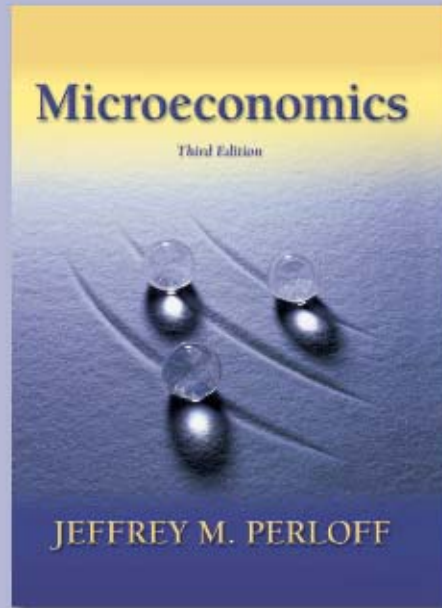


Figure 3.1 How the Effect of a Supply Shock Depends on the Shape of the Demand Curve

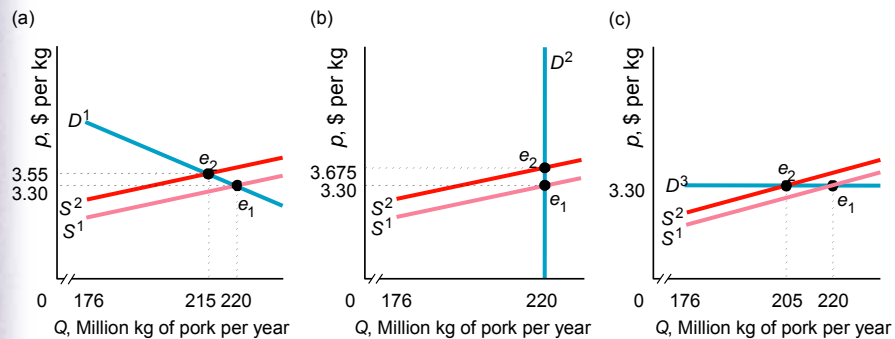
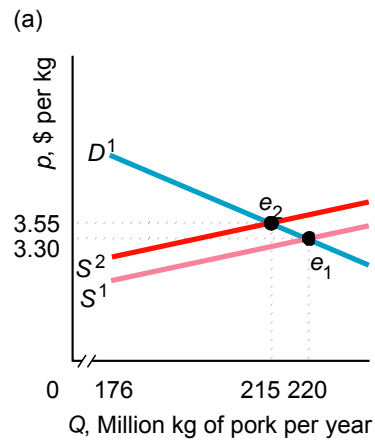


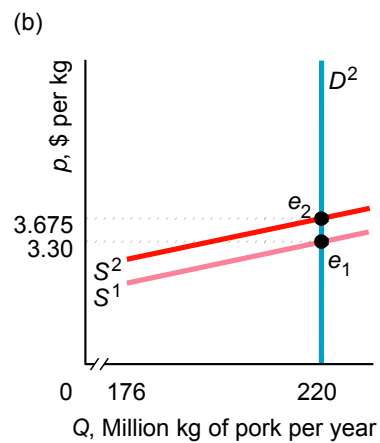
Figure 3.1a How the Effect of a Supply Shock Depends on the Shape of the Demand Curve



© 2004 Pearson Addison-Wesley. All rights reserved

3-3

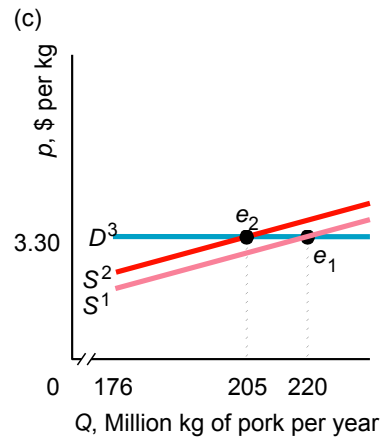
Figure 3.1b How the Effect of a Supply Shock Depends on the Shape of the Demand Curve



© 2004 Pearson Addison-Wesley. All rights reserved

3-4

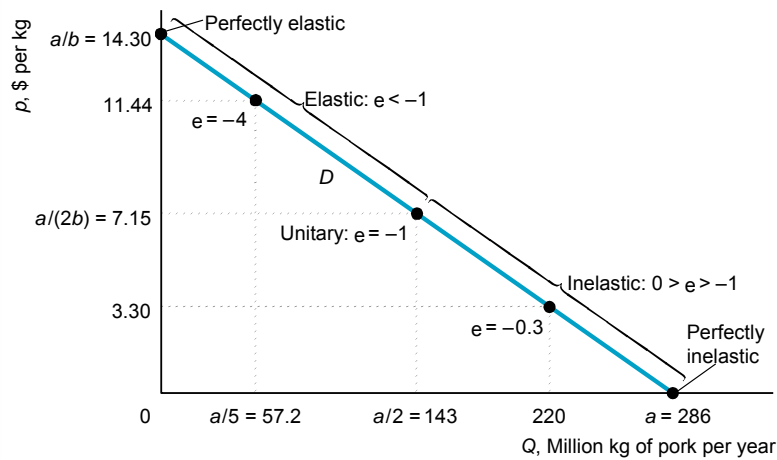
Figure 3.1c How the Effect of a Supply Shock Depends on the Shape of the Demand Curve



© 2004 Pearson Addison-Wesley. All rights reserved

3-5

Figure 3.2 Elasticity Along the Pork Demand Curve



© 2004 Pearson Addison-Wesley. All rights reserved

3-6

Figure 3.3 Vertical and Horizontal Demand Curves

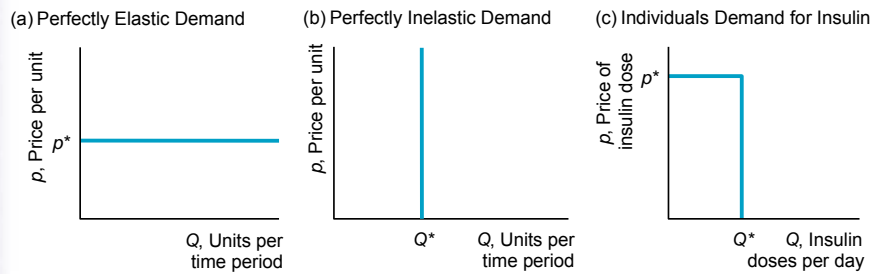


Figure 3.3a Vertical and Horizontal Demand Curves

(a) Perfectly Elastic Demand

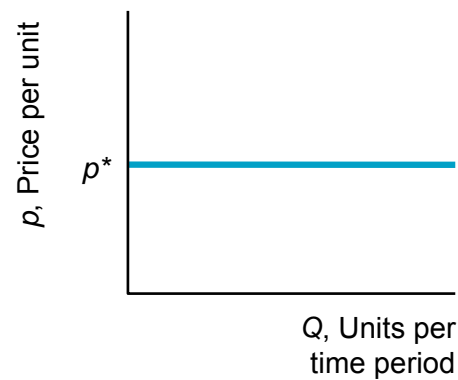
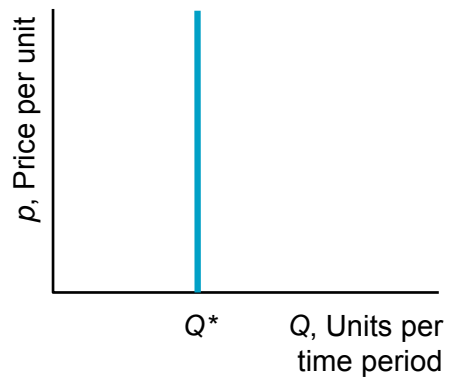


Figure 3.3b Vertical and Horizontal Demand Curves

(b) Perfectly Inelastic Demand

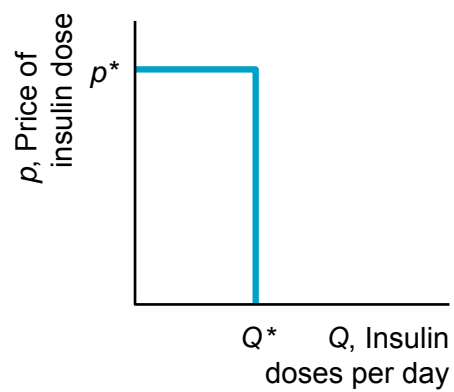


© 2004 Pearson Addison-Wesley. All rights reserved

3-9

Figure 3.3c Vertical and Horizontal Demand Curves

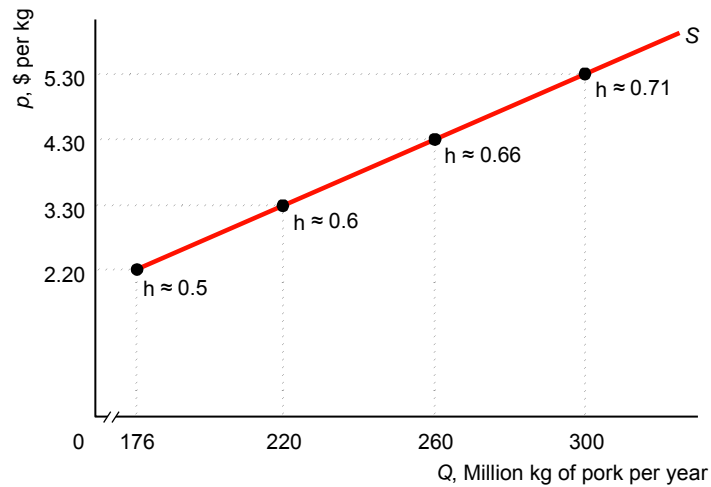
(c) Individual's Demand for Insulin



© 2004 Pearson Addison-Wesley. All rights reserved

3-10

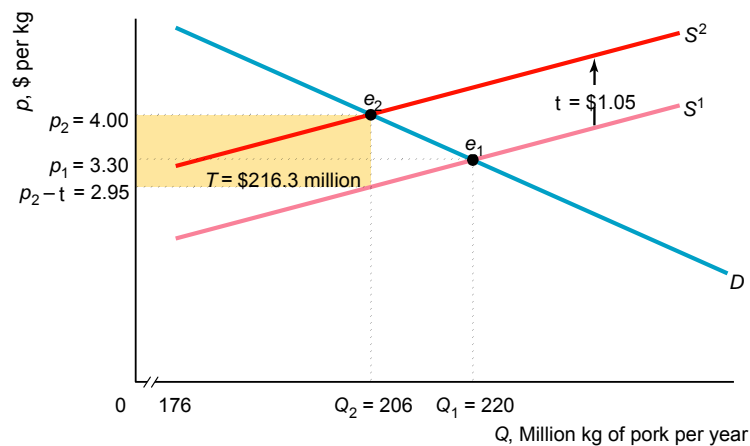
Figure 3.4 Elasticity Along the Pork Supply Curve



© 2004 Pearson Addison-Wesley. All rights reserved

3-11

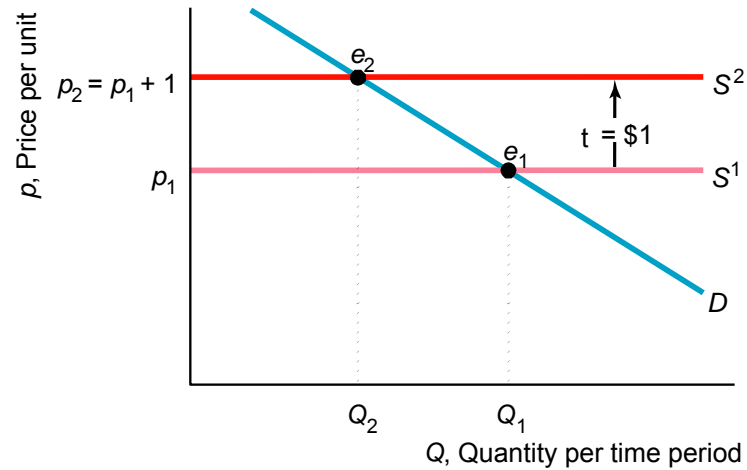
Figure 3.5 Effect of a \$1.05 Specific Tax on the Pork Market Collected from Producers



© 2004 Pearson Addison-Wesley. All rights reserved

3-12

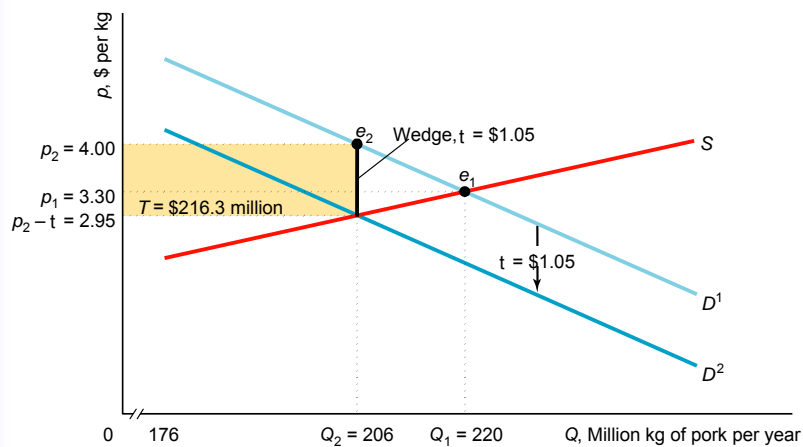
Page 64 Solved Problem 3.1



© 2004 Pearson Addison-Wesley. All rights reserved

3-13

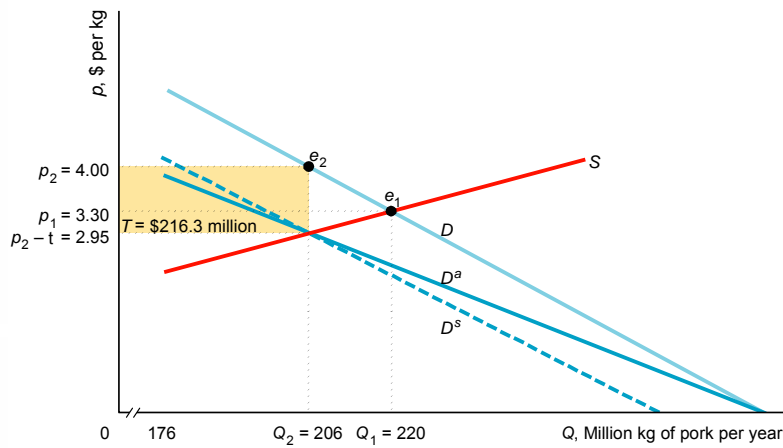
Figure 3.6 Effect of a \$1.05 Specific Tax on Pork Collected from Consumers



© 2004 Pearson Addison-Wesley. All rights reserved

3-14

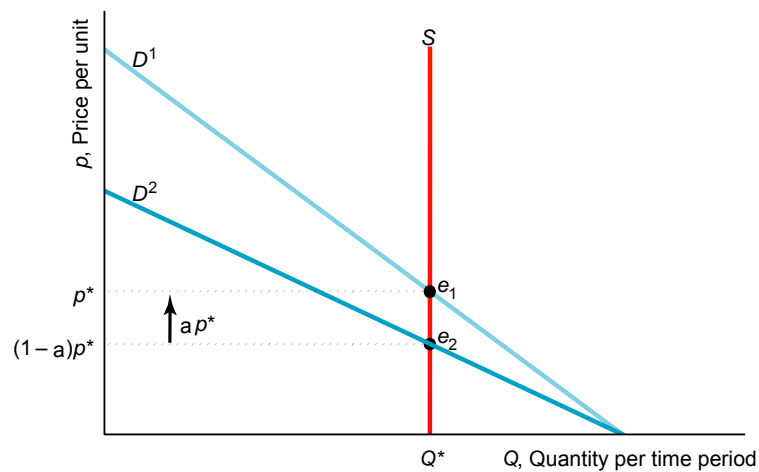
Figure 3.7 Comparison of an *Ad Valorem* and a Specific Tax on Pork



© 2004 Pearson Addison-Wesley. All rights reserved

3-15

Page 68 Solved Problem 3.2



© 2004 Pearson Addison-Wesley. All rights reserved

3-16