Microeconomics Diagrams
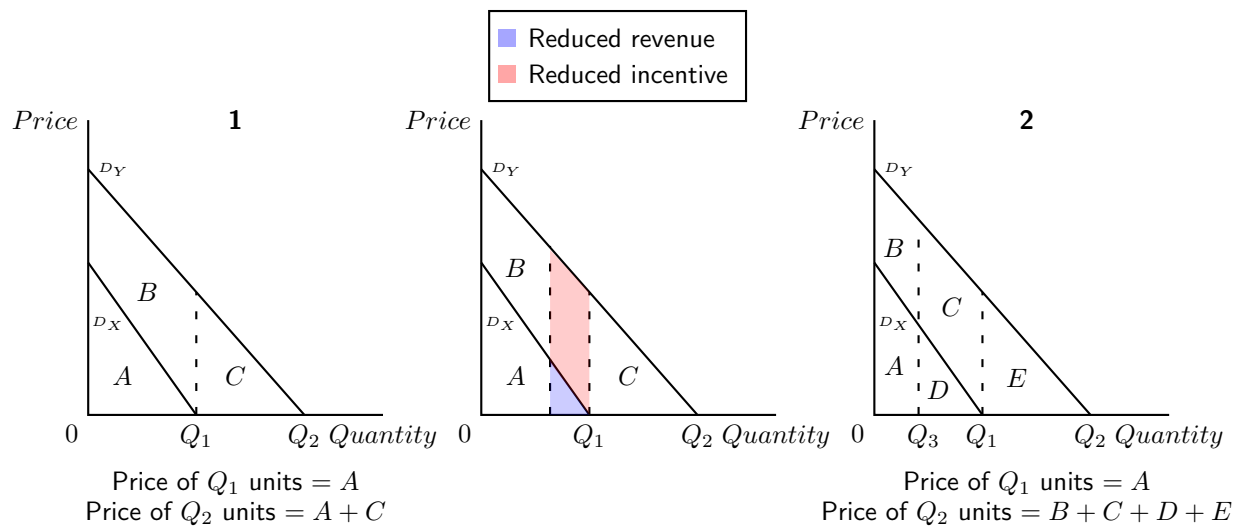
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All graphs in this document were created by Joel Pointon and can be found on GitHub. Note that graphs are displayed in alphabetical order.

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Reduced revenue
Reduced incentive

$Price$ **1**

D_Y

B

D_X

A C

0 Q_1 Q_2 $Quantity$

Price of Q_1 units $= A$
Price of Q_2 units $= A + C$

$Price$

D_Y

B

D_X

A C

0 Q_1 Q_2 $Quantity$

$Price$ **2**

D_Y

B

C

D_X

A
    D E

0 Q_3 Q_1 Q_2 $Quantity$

Price of Q_1 units $= A$
Price of Q_2 units $= B + C + D + E$

To make them indifferent between plan Q_1 and Q_2 in graph 1, the firm must offer the prices above, leading to a CS of B. This is assuming that, if indifferent, the lower D will choose Q_1 and the higher D will choose Q_2. For panel 2, the firm offers Q_3 units (note $Q_3 < Q_1$) and Q_2 units at the prices above. Here, there CS is reduced at B which is less than the area of B in panel 1.

Figure 1: Second degree price discrimination

$Price$ Market

MC_M

P_M

$mc = mr$

MR_M D_M

0 $Q_M = Q_1 + Q_2$ $Quantity$

$Price$ Type 1

P_1

$mc = mr$

MR_1 D_1

0 Q_1 $Quantity$

$Price$ Type 2

P_2

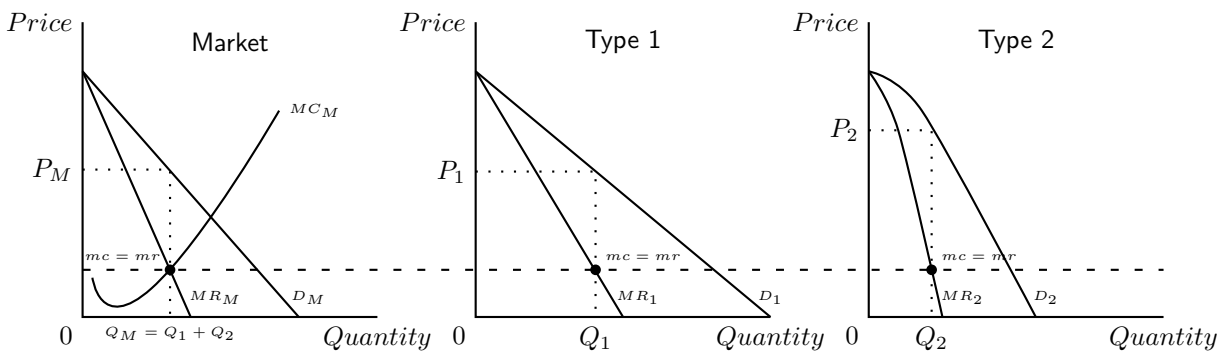$mc = mr$

MR_2 D_2

0 Q_2 $Quantity$

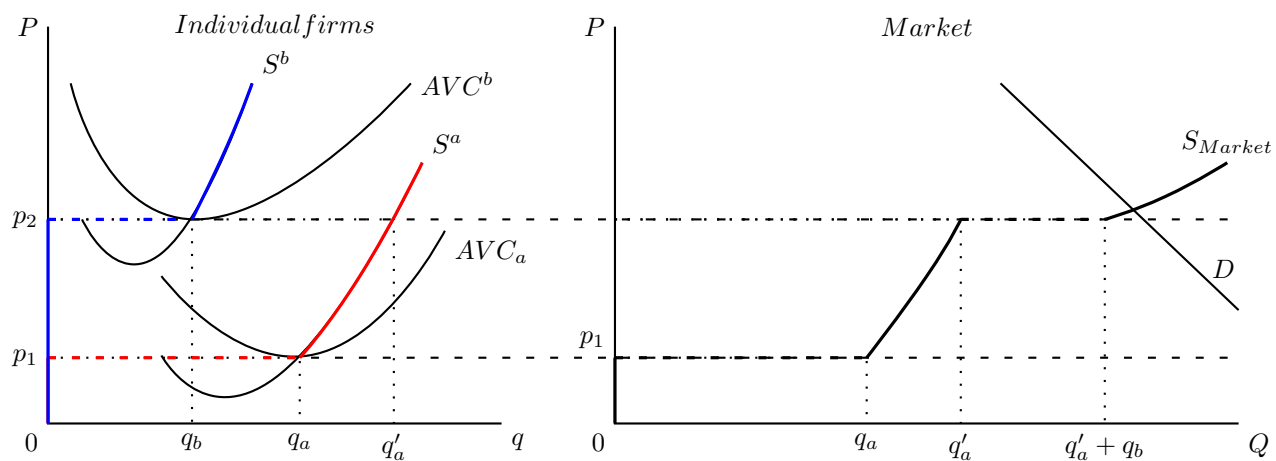Figure 2: Third degree price discrimination and the optimum bundles for the firm

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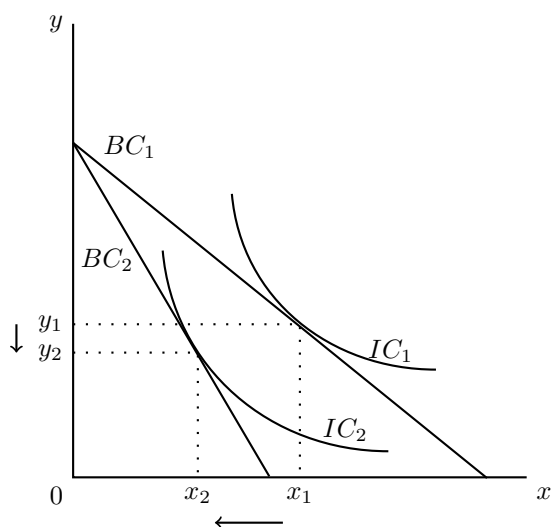Figure 3: The aggregation of firms' supply curves with heterogeneous cost functions

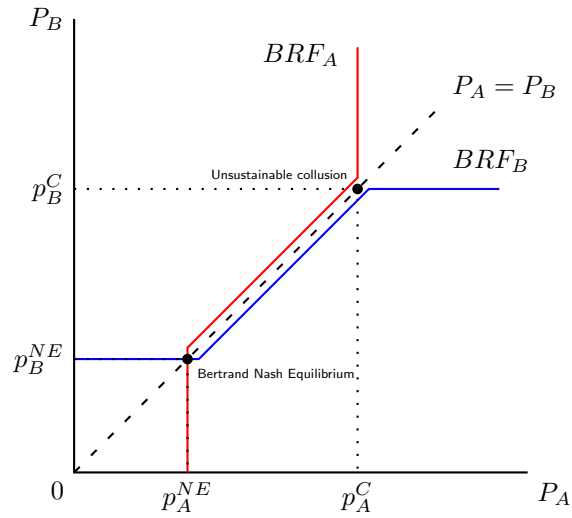Figure 4: The effect of an increase in the price of good x on the optimal consumption bundle

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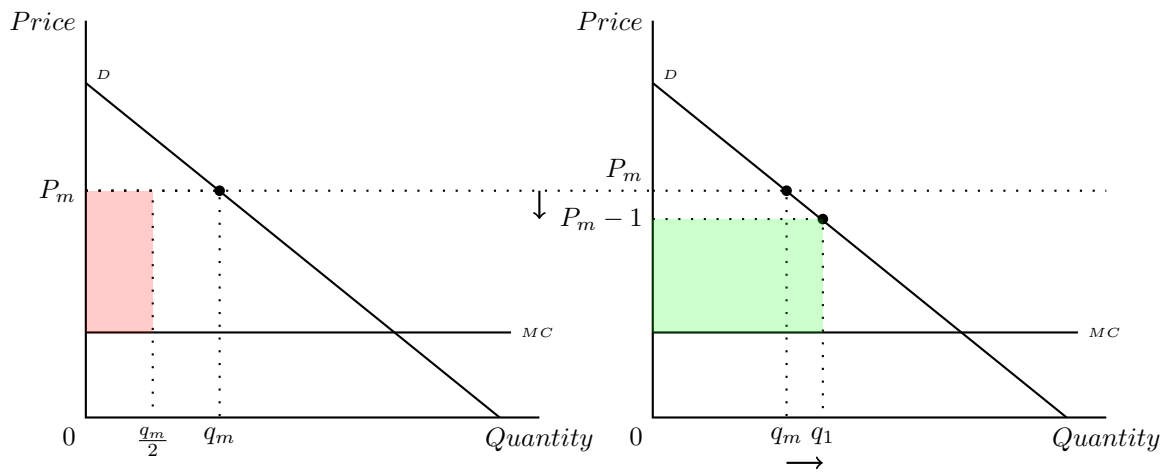

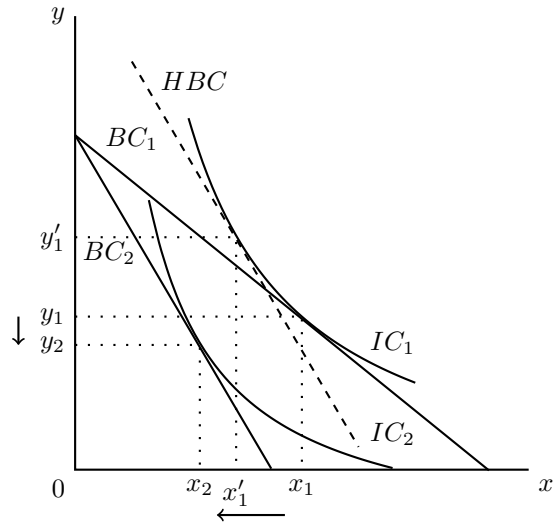Figure 6: Incentives to cheat under Bertrand competition

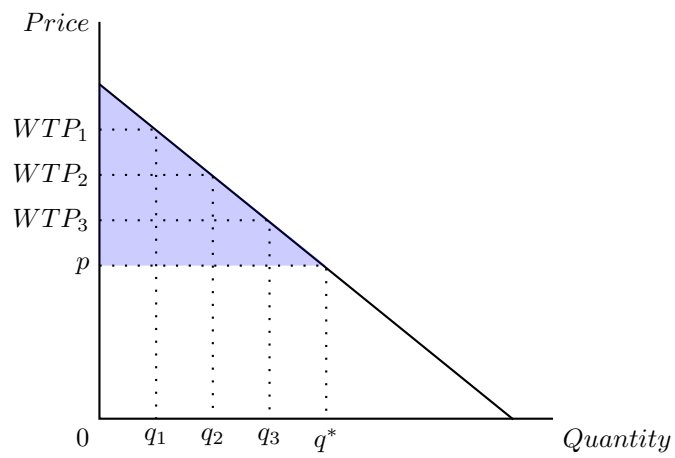Figure 7: Compensating variation using the Hicksian measure
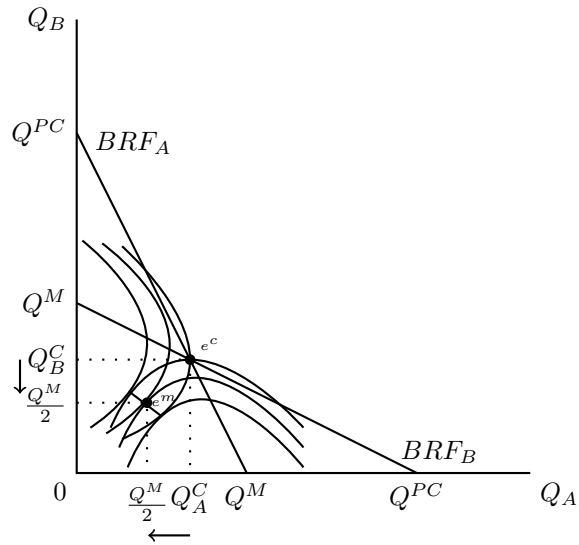

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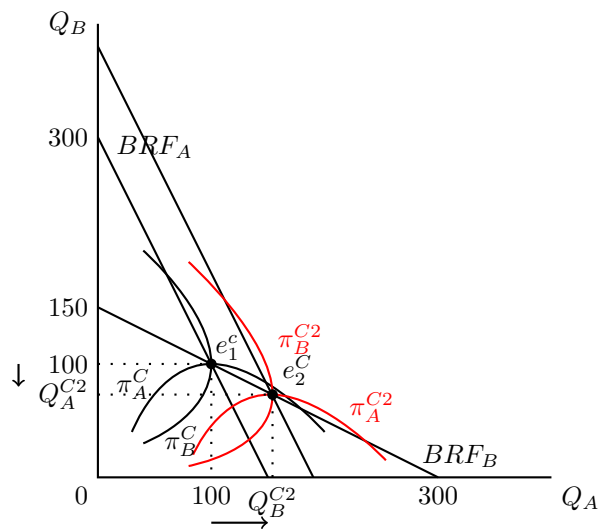Figure 9: Cournot equilibrium and the outcome under collusion

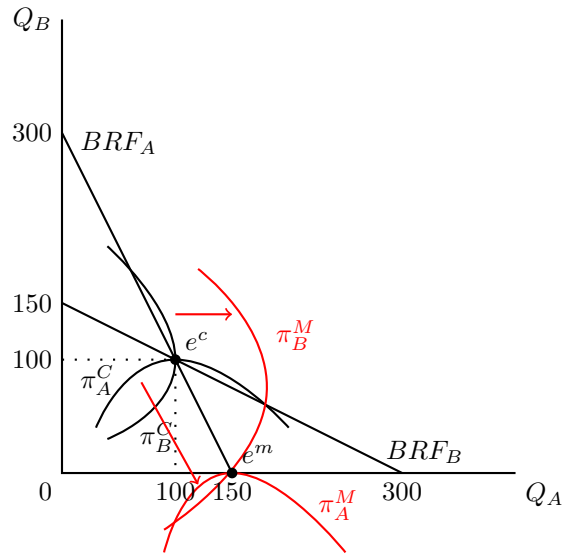Figure 10: The effect of a reduction in Firm A's marginal costs on the Cournot equilibrium

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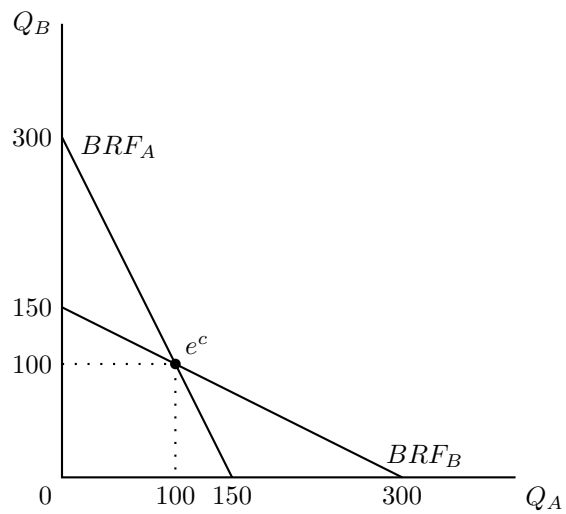

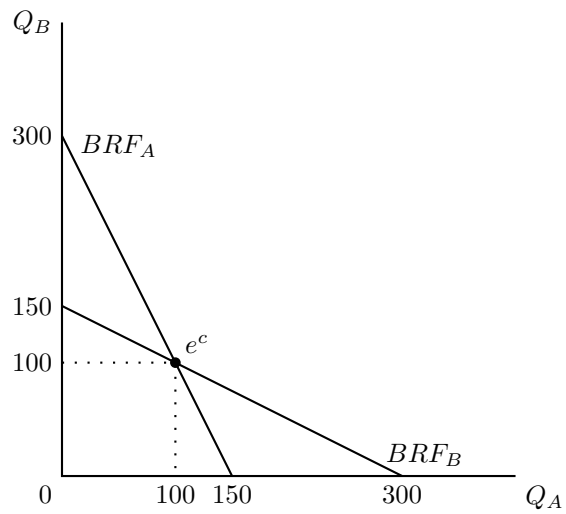Figure 12: Best Response Functions and the Cournot equilibrium

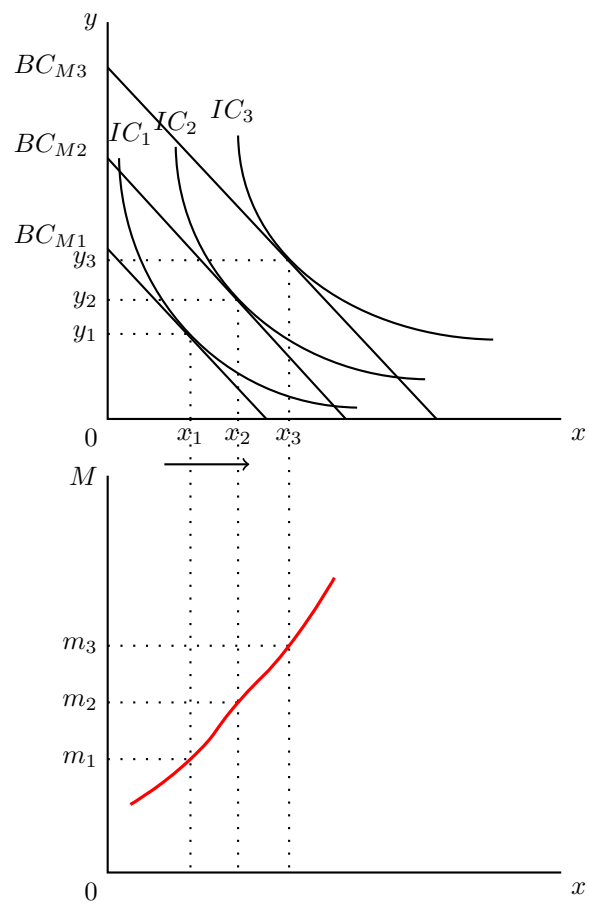Figure 13: The efficient outcome given an endowment in an exchange economy
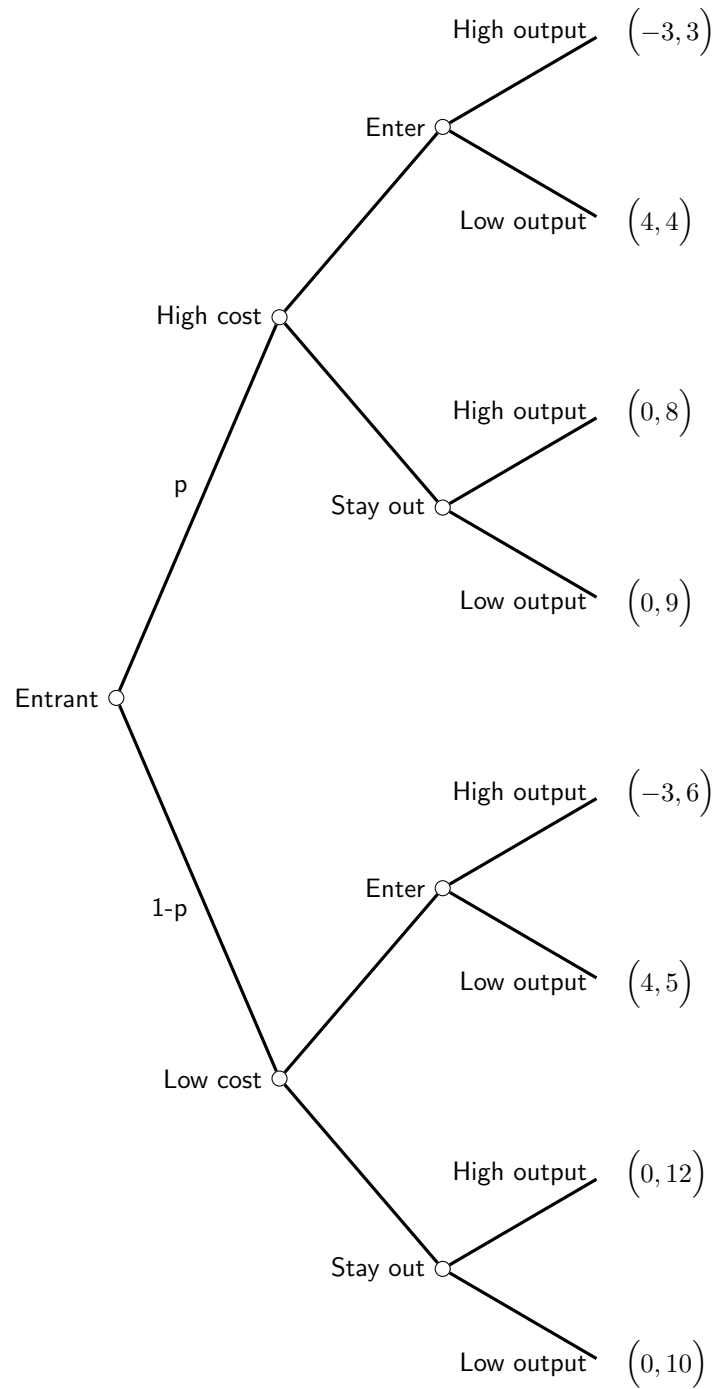

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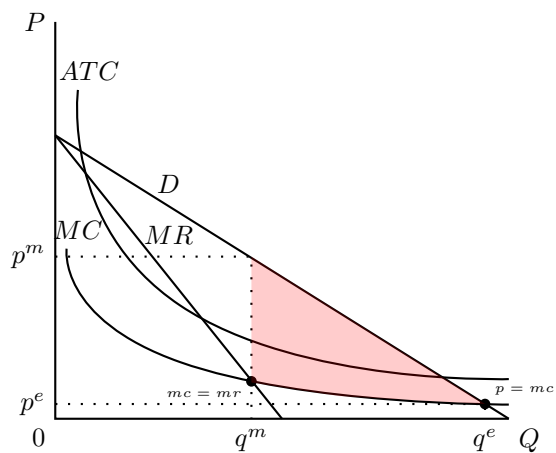
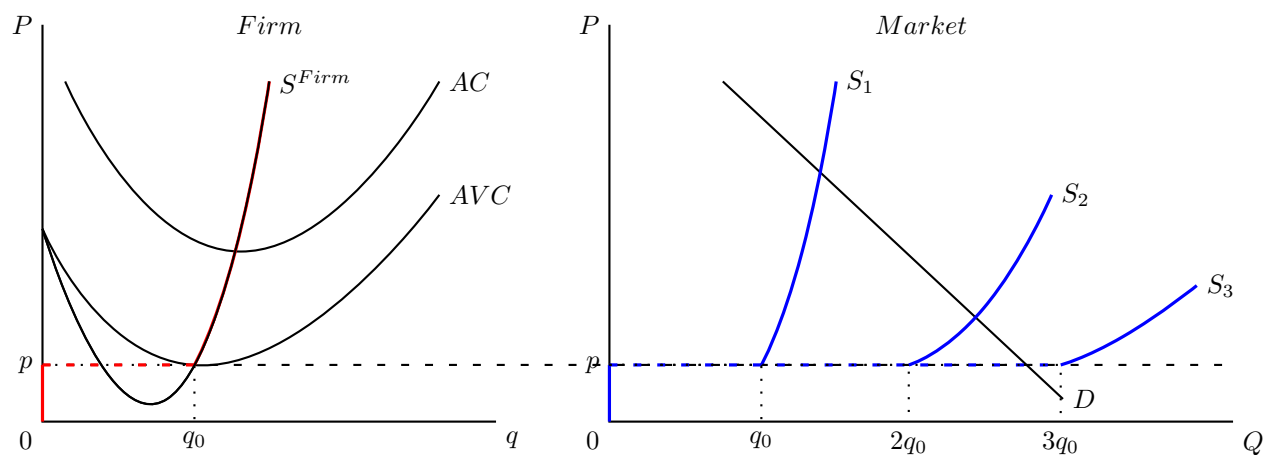Figure 17: The various outcomes under a natural monopoly

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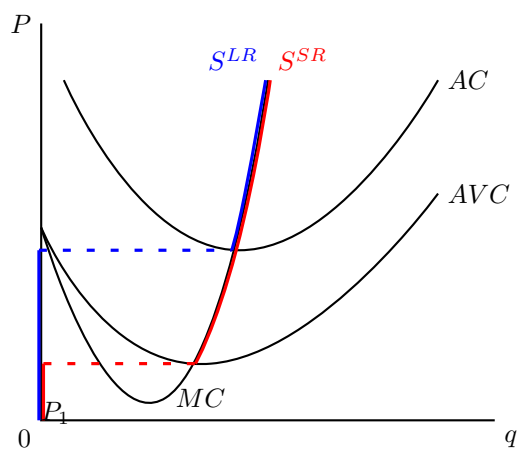

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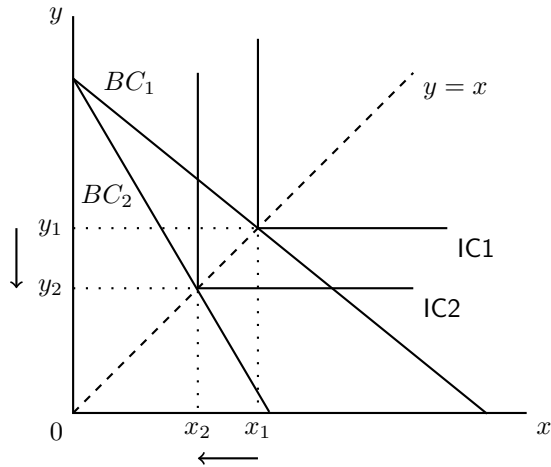
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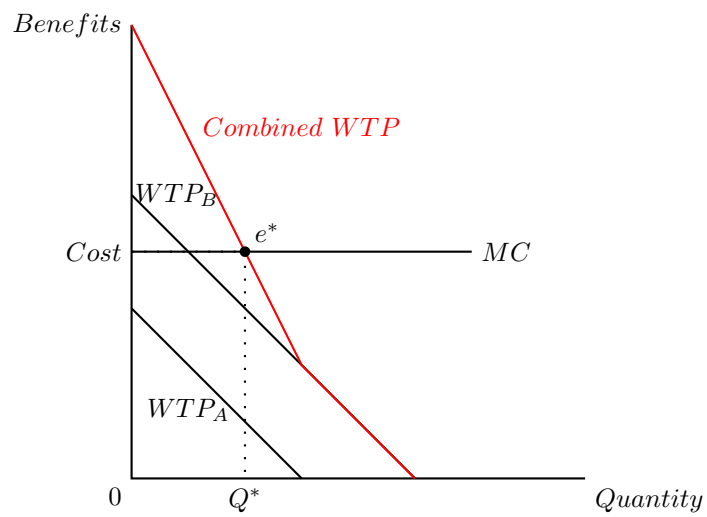

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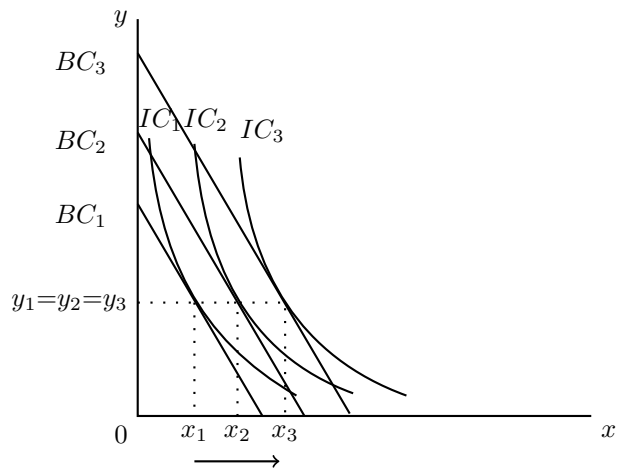
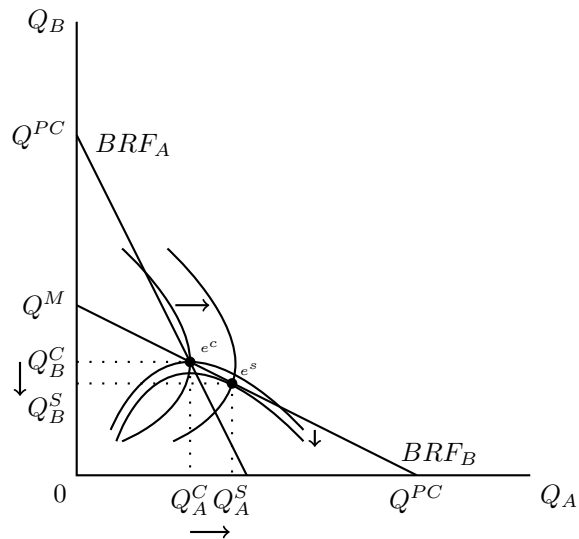Figure 22: The effect of a change in income on quasi-linear preferences
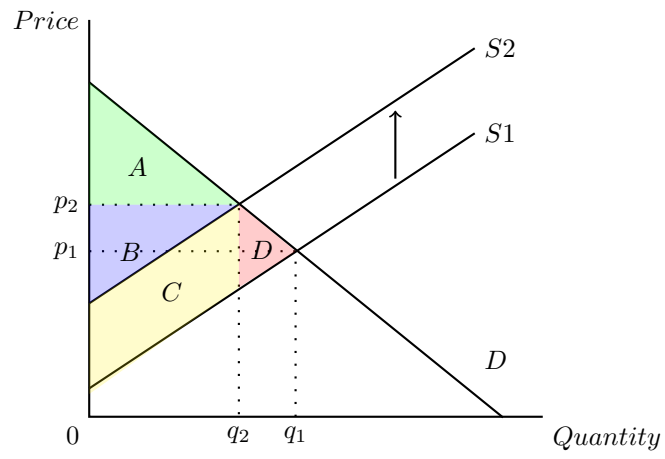

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