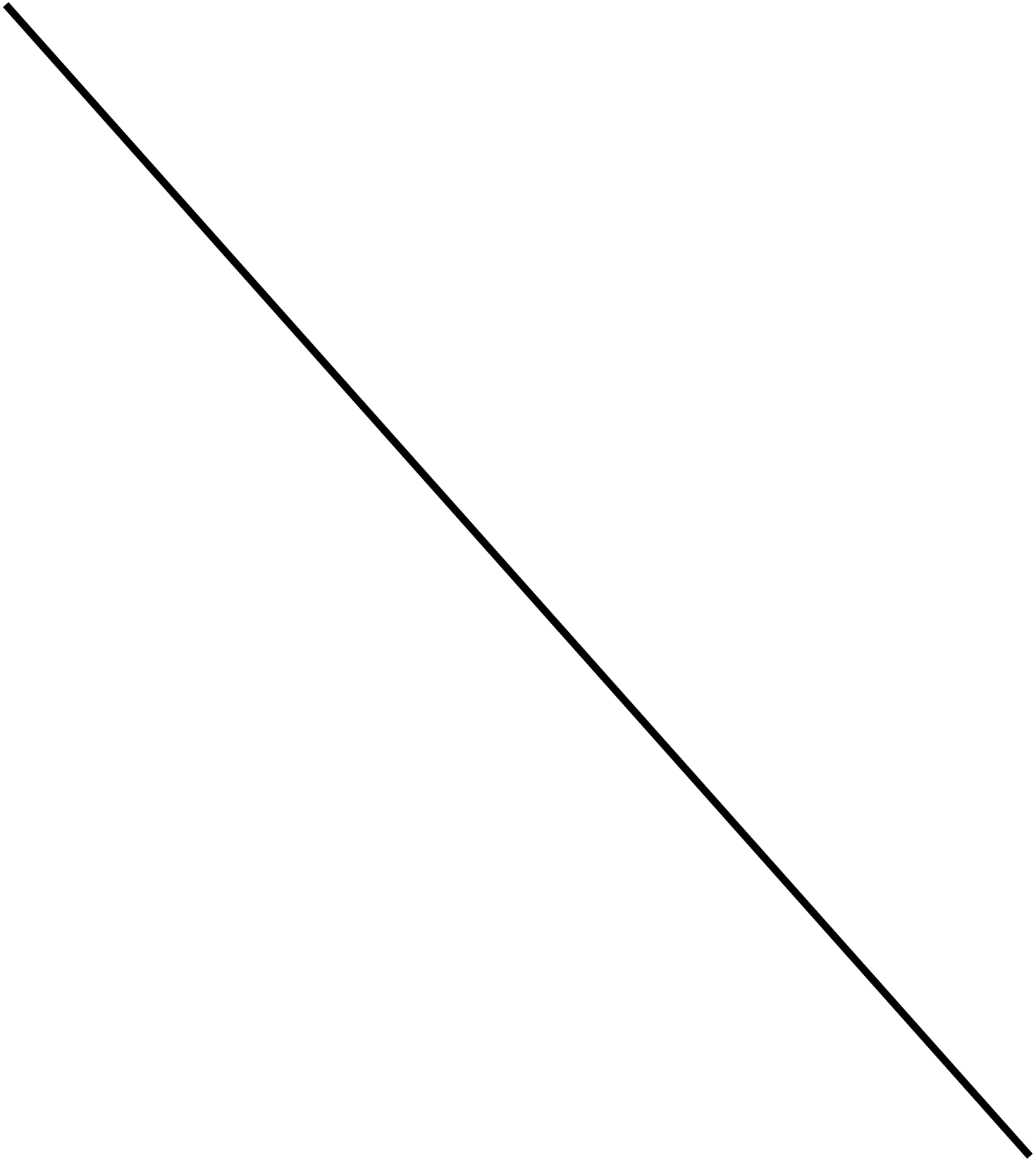
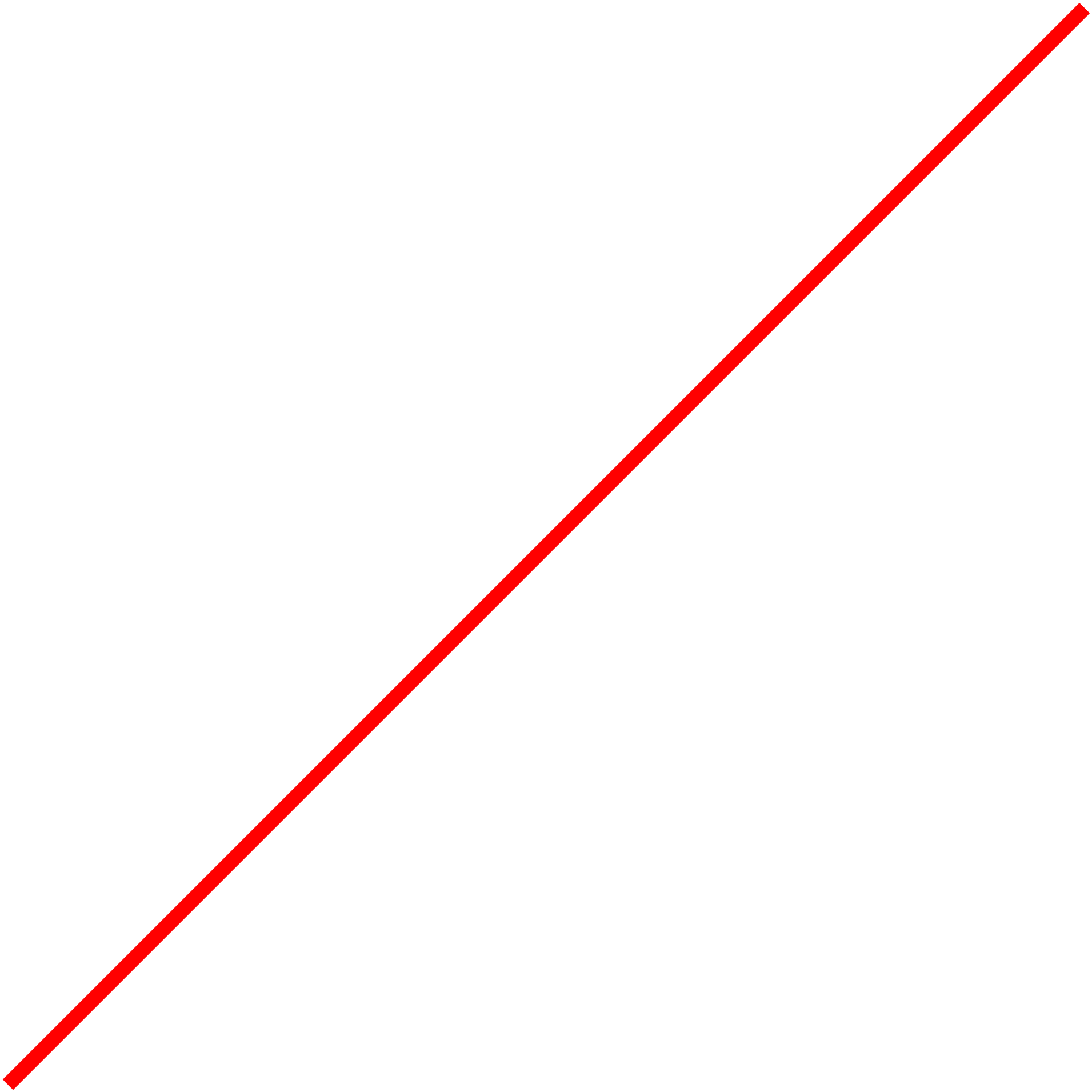
Midpoint



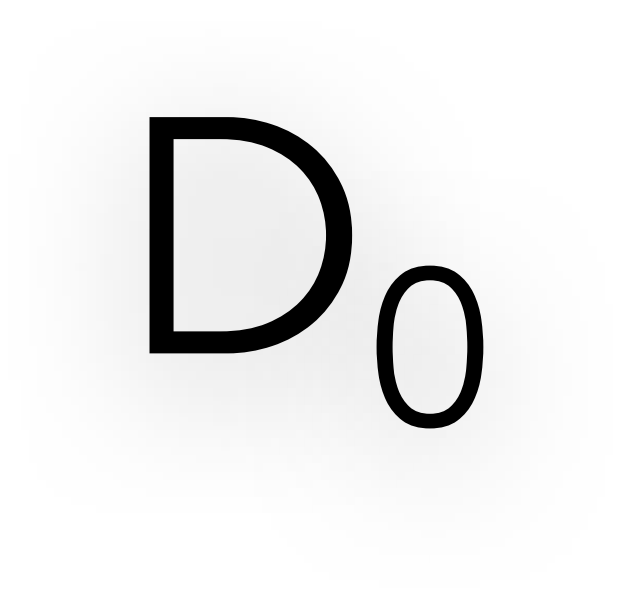


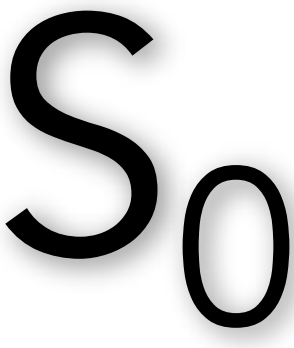
Total Revenue Before


Q1

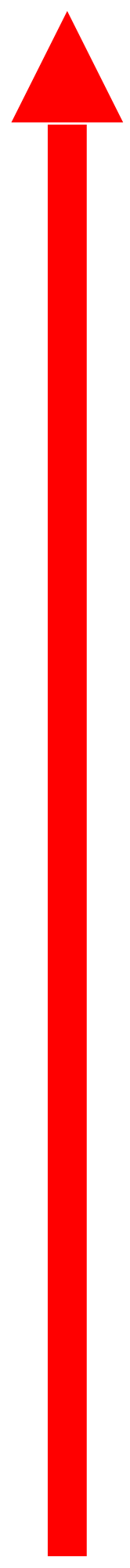
P_1

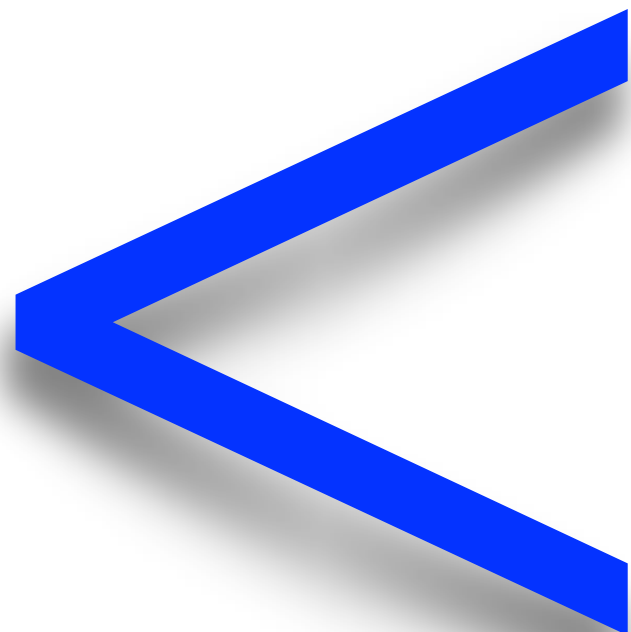
P_0


D_0


S0


S1





TR decrease

e=1

Loss

Total Revenue After

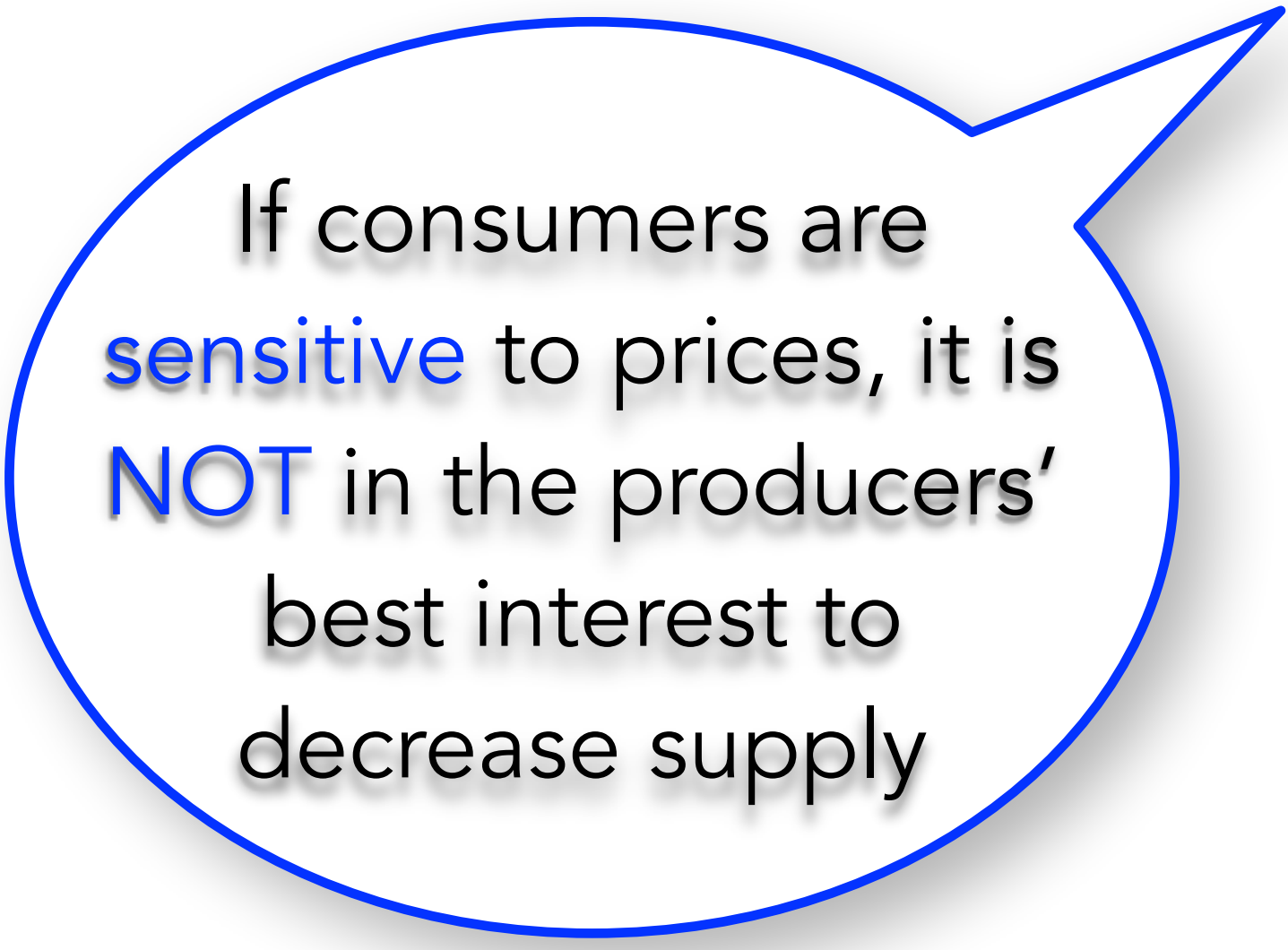

Gain

Because

Loss


Gain

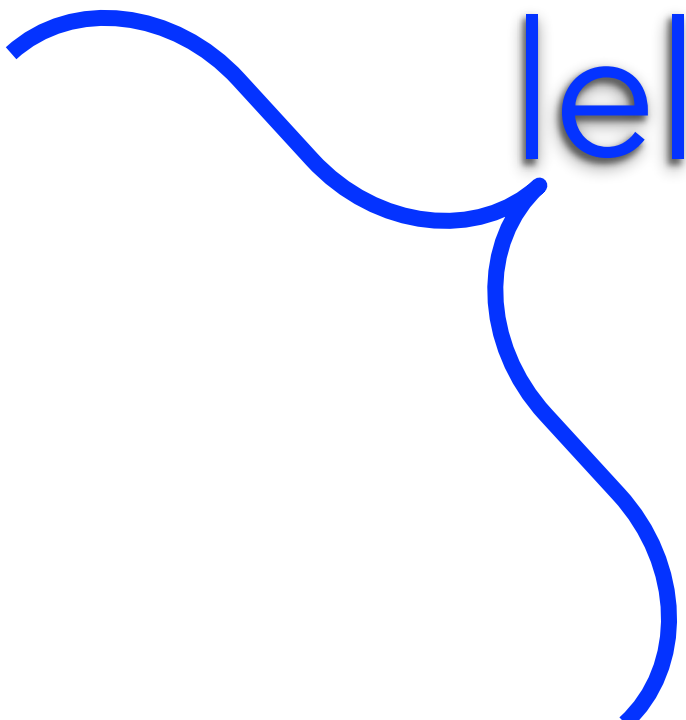
Decreasing Supply, cause an increase in price and a decrease in Q^d


If consumers are
sensitive to prices, it is
NOT in the producers'
best interest to
decrease supply

Decreasing Supply, cause an decrease in Total Revenue for producers if demand is elastic (e>1)

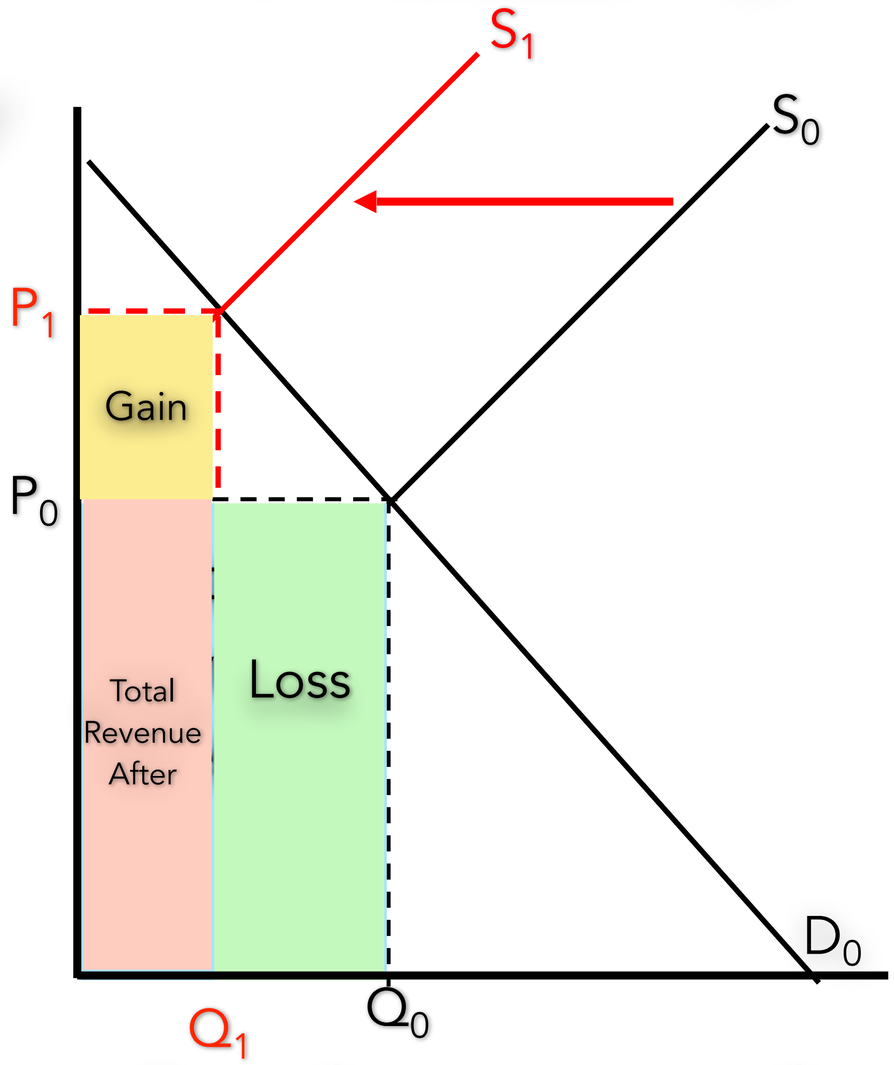
Elastic

$|el| > 1$



Decreasing Supply, cause an increase in price and a decrease in Q^d

If consumers are sensitive to prices, it is NOT in the producers' best interest to decrease supply

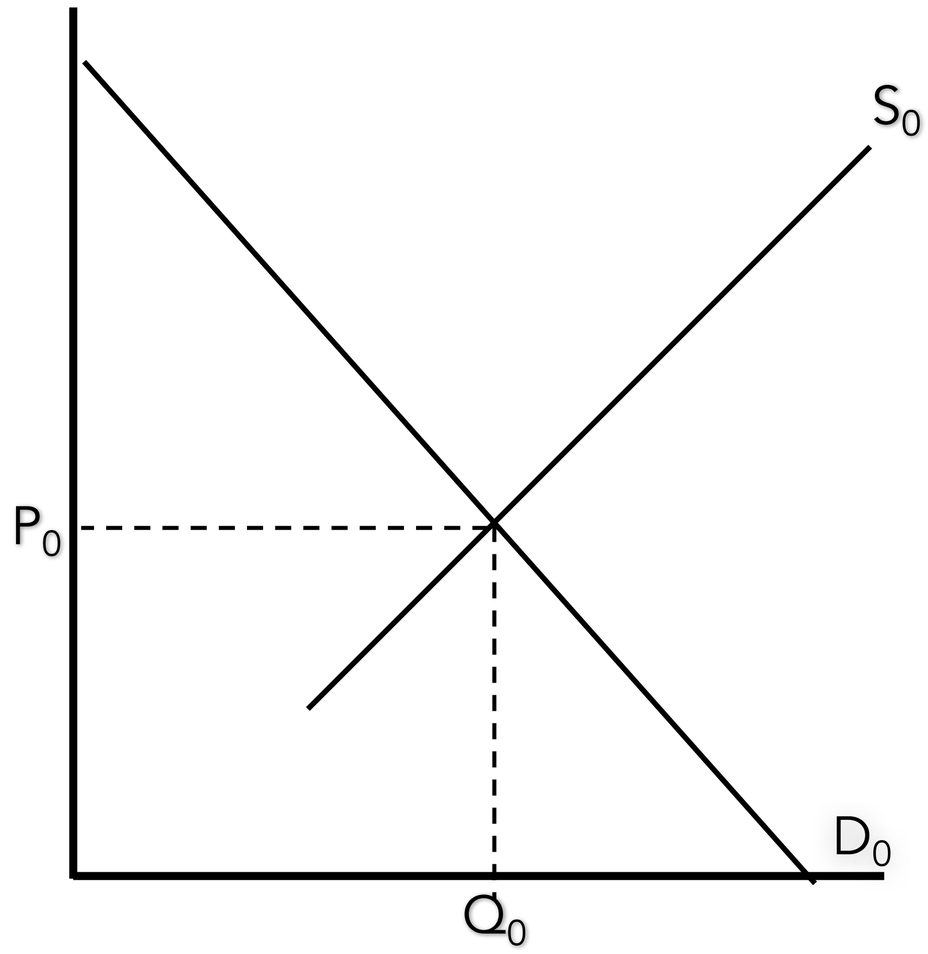


Because

Gain < Loss

TR decrease

Decreasing Supply, cause an decrease in Total Revenue for producers if demand is elastic (e>1)


S_0
P_0
D_0
Q_0