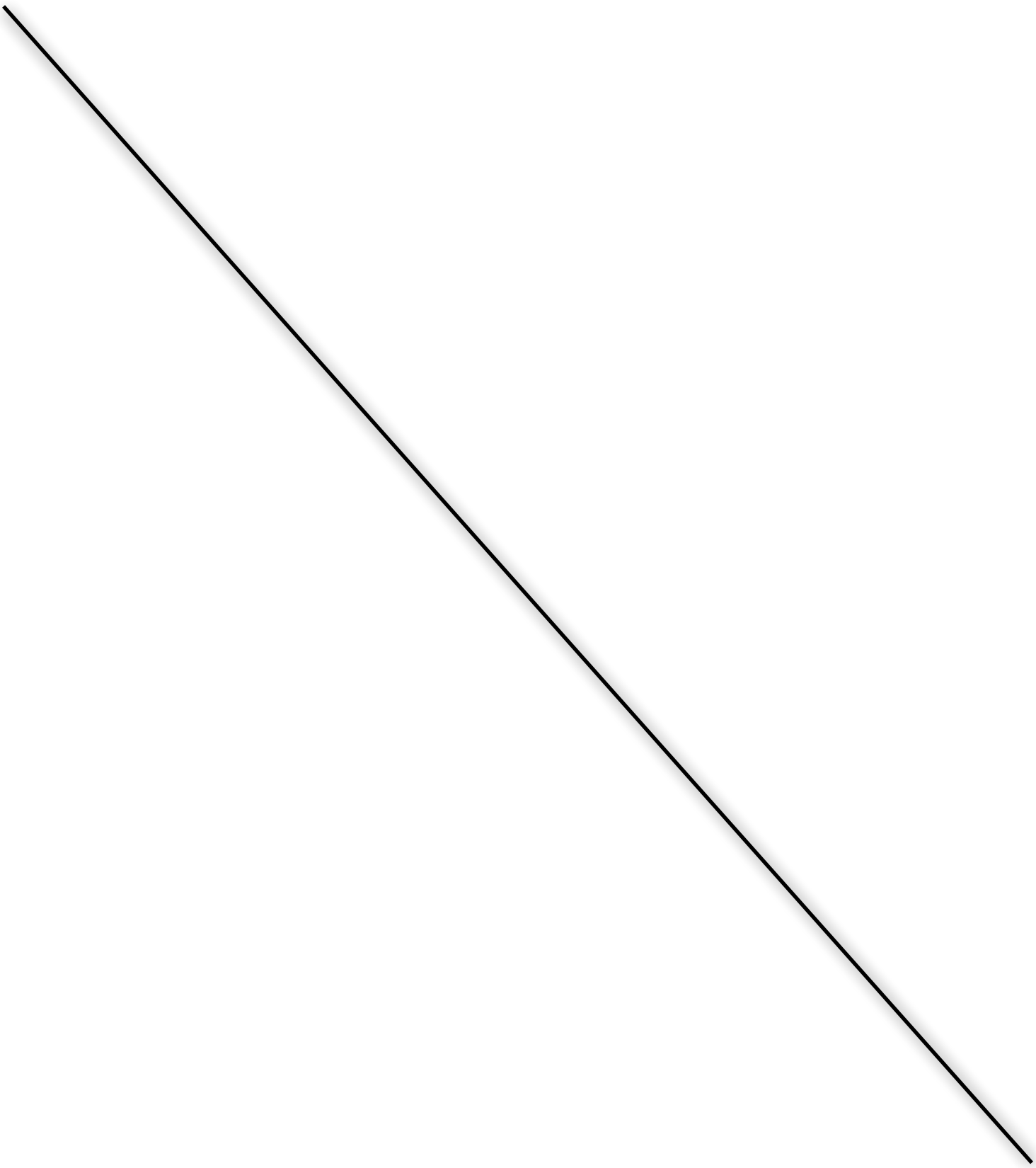
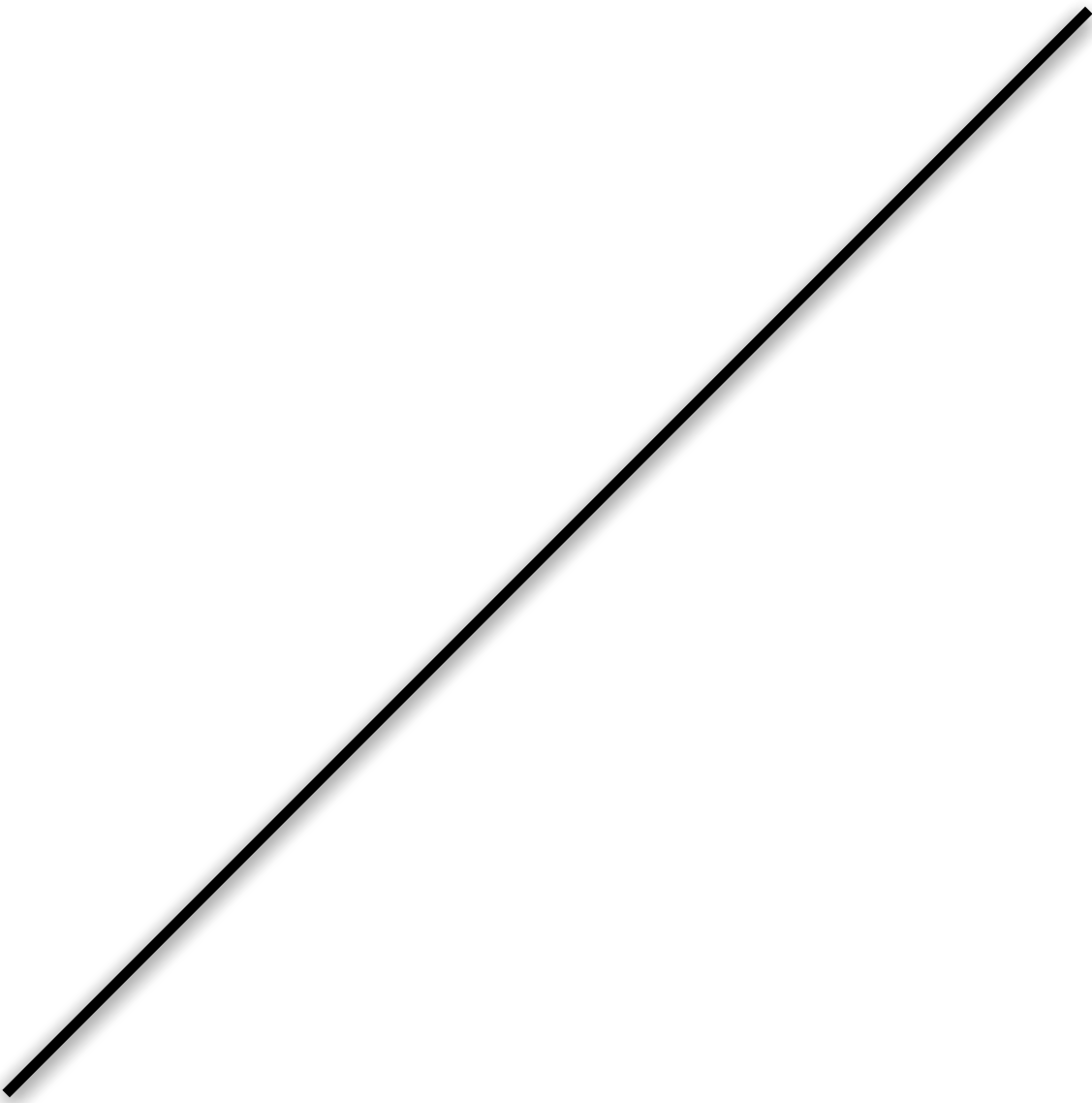






Midpoint





1

2

3

4

5

6

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8

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10

11

12

13

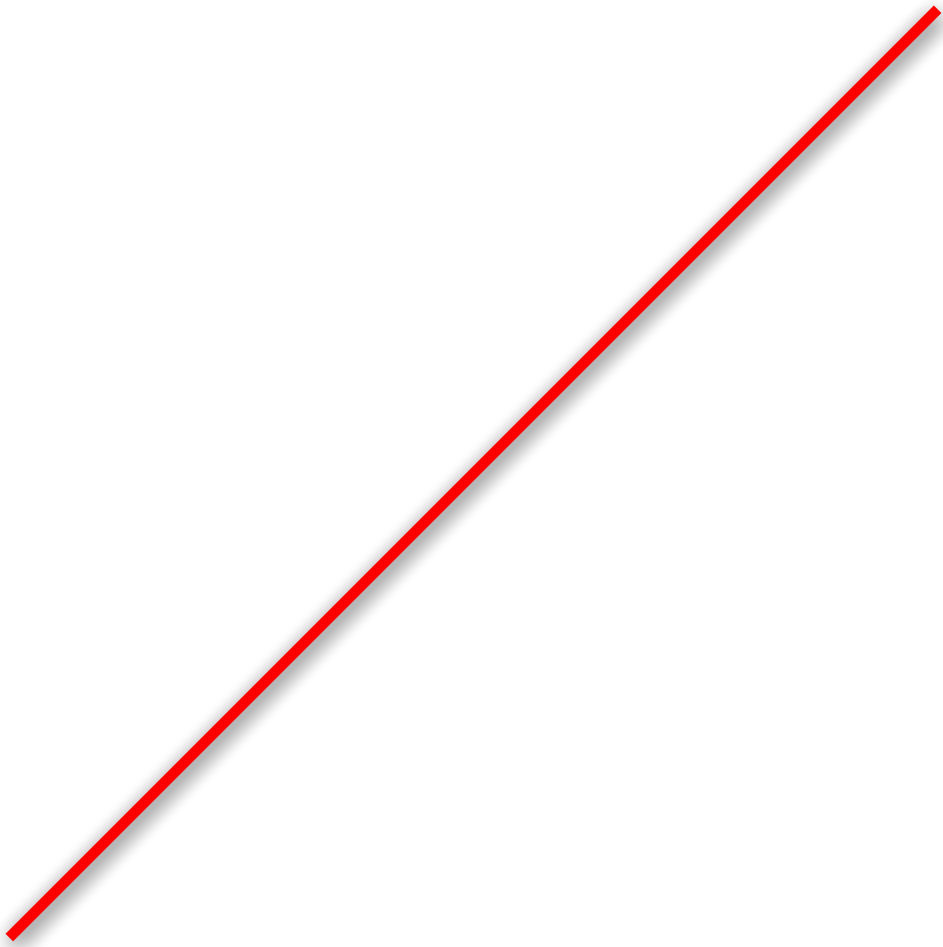
14

15

16

17





1

2

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14

15





Total Revenue  
Before

$O_1$

$P_1$

Q<sub>0</sub>

P<sub>0</sub>

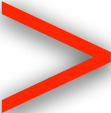
Do

So



S<sub>1</sub>





TR increase

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

$$.e \equiv 1$$



Loss





Total  
Revenue  
After

# Gain

Gain

Loss

Because

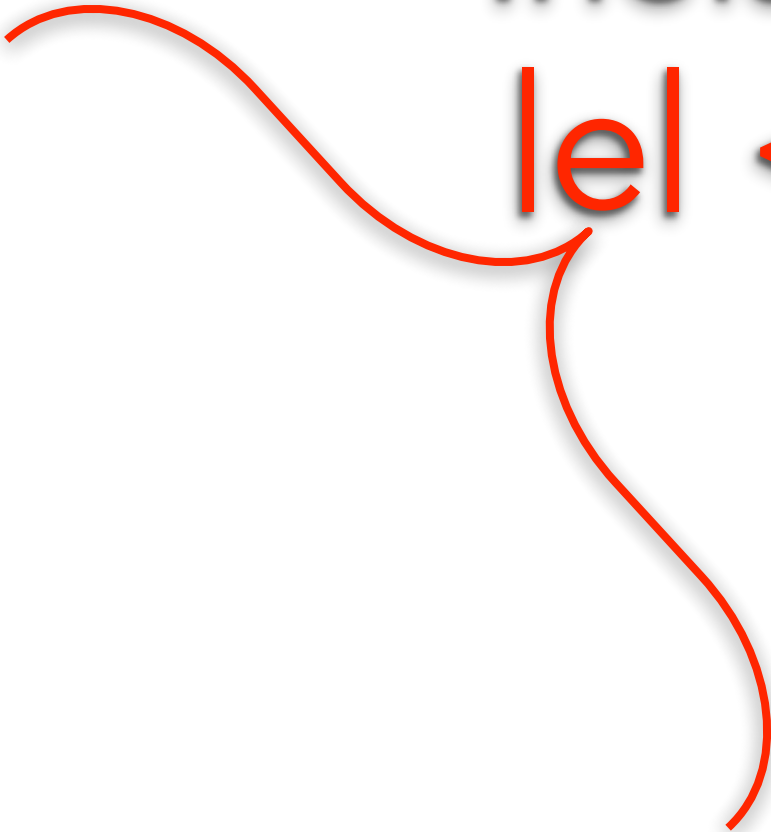
If consumers are  
**insensitive** to prices,  
it is in the producers'  
best interest to  
decrease supply

Decreasing supply, cause an increase in Total Revenue for producers if demand is inelastic ( $e < 1$ )



Inelastic

$$|\epsilon| < 1$$

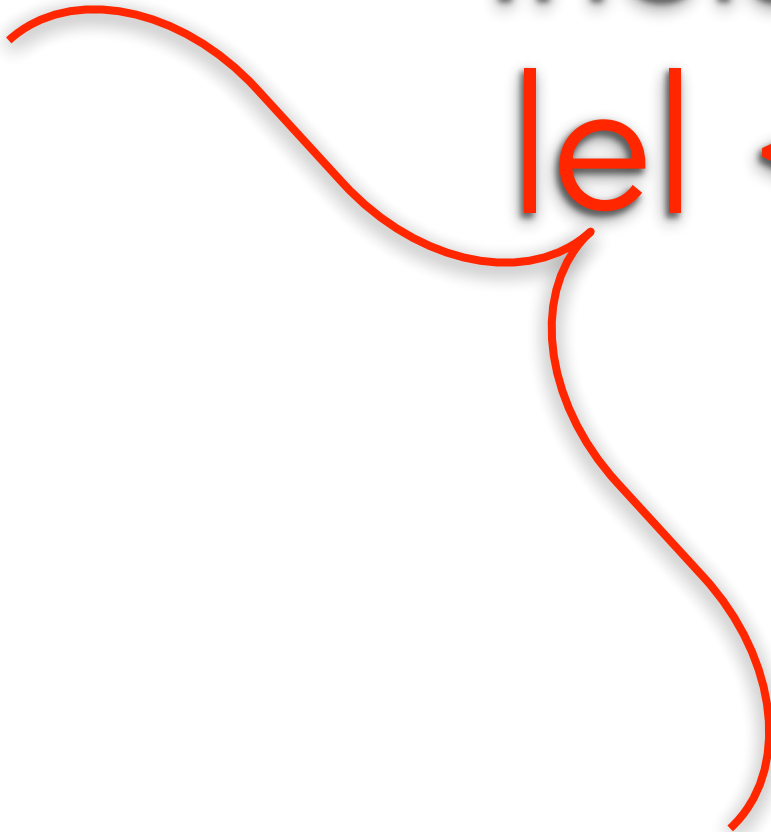







Inelastic

$$|e| < 1$$





If consumers are  
**insensitive** to prices,  
it is in the producers'  
best interest to  
increase prices

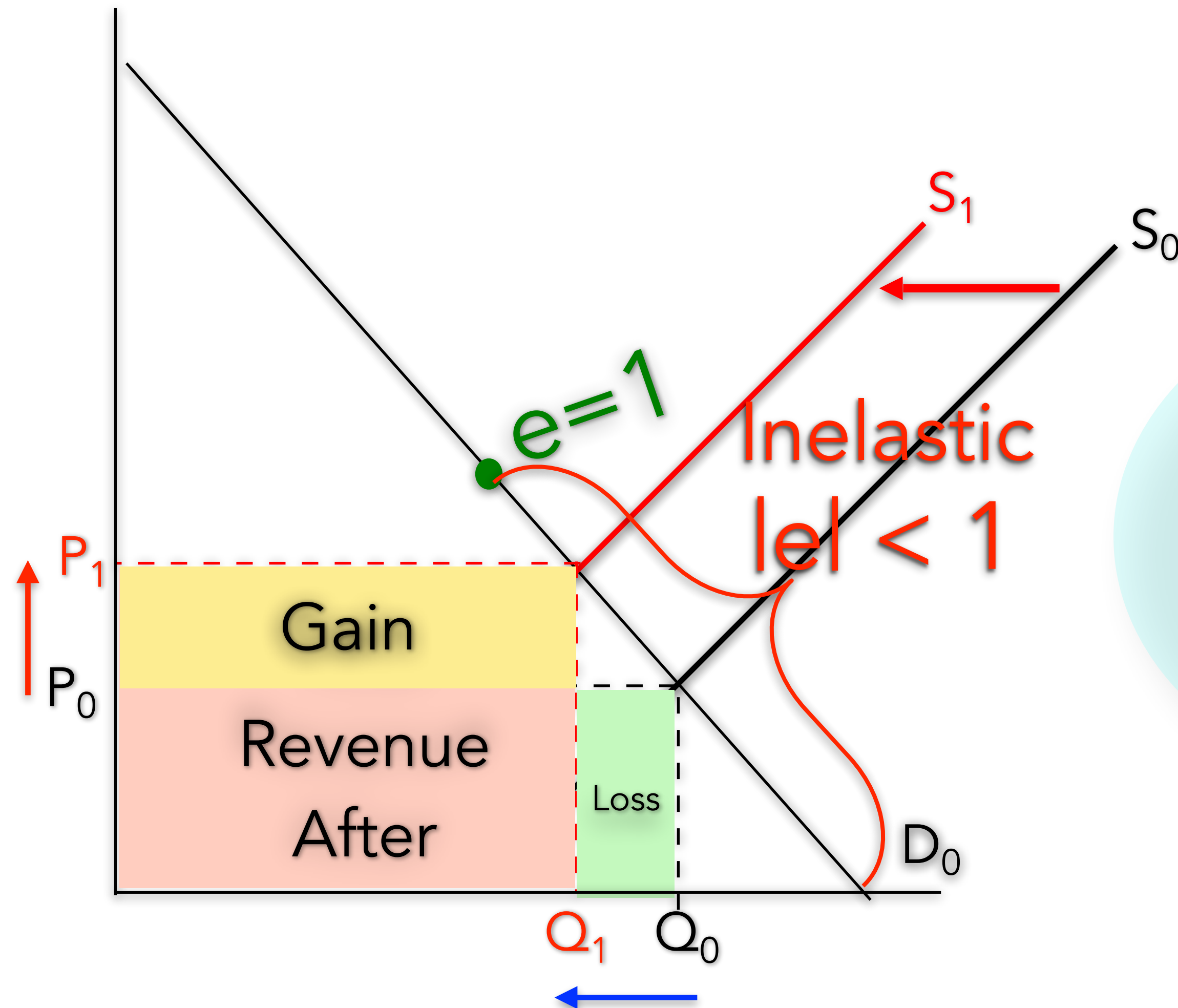
Decreasing supply, cause an increase in Total Revenue for producers if demand is inelastic ( $e < 1$ )

Because

Gain

>

Loss



If consumers are insensitive to prices, it is in the producers' best interest to decrease supply

TR increase

If consumers are insensitive to prices, it is in the producers' best interest to increase prices

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

