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# Chapter 3

## Applying the Supply-and-Demand Model

Figure 3.01a How the Effect of a Supply Shock Depends on the Shape of the Demand Curve

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(a)

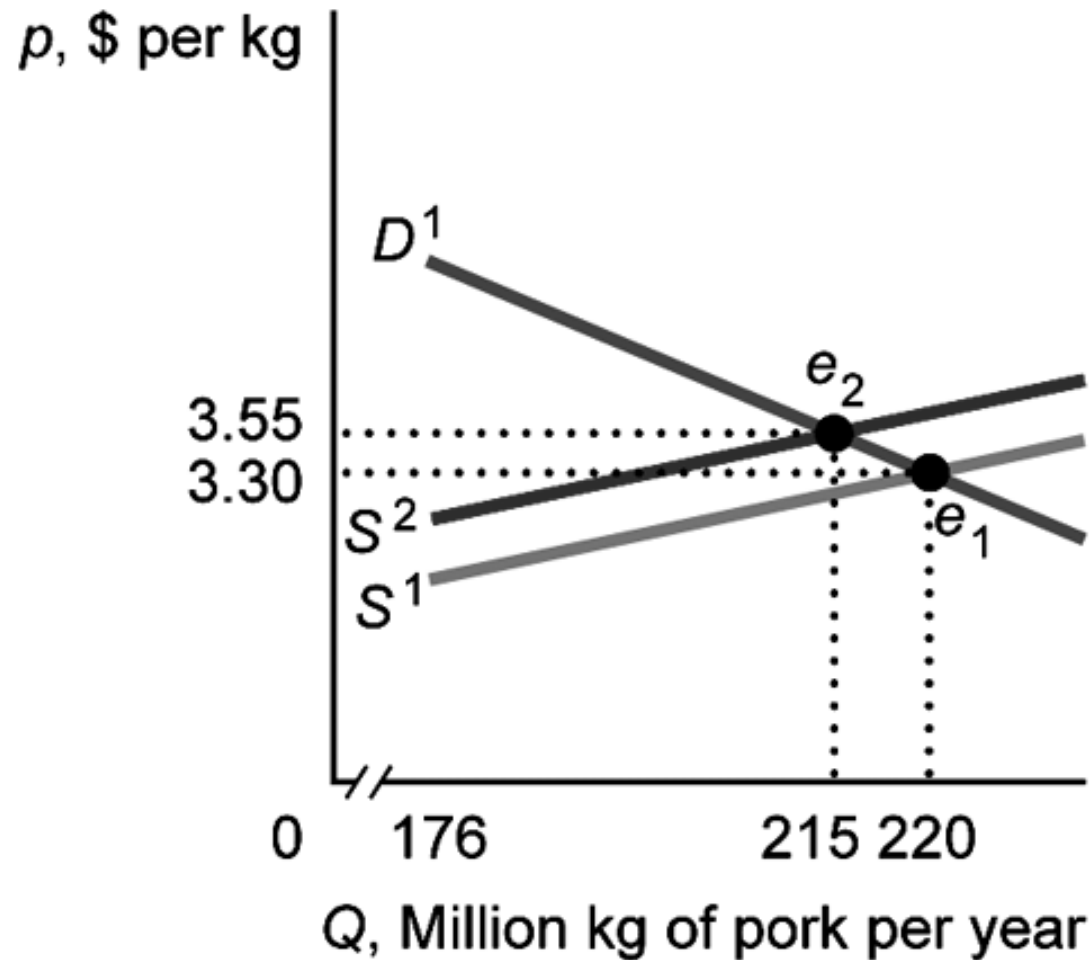


Figure 3.01b How the Effect of a Supply Shock Depends on the Shape of the Demand Curve

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(b)

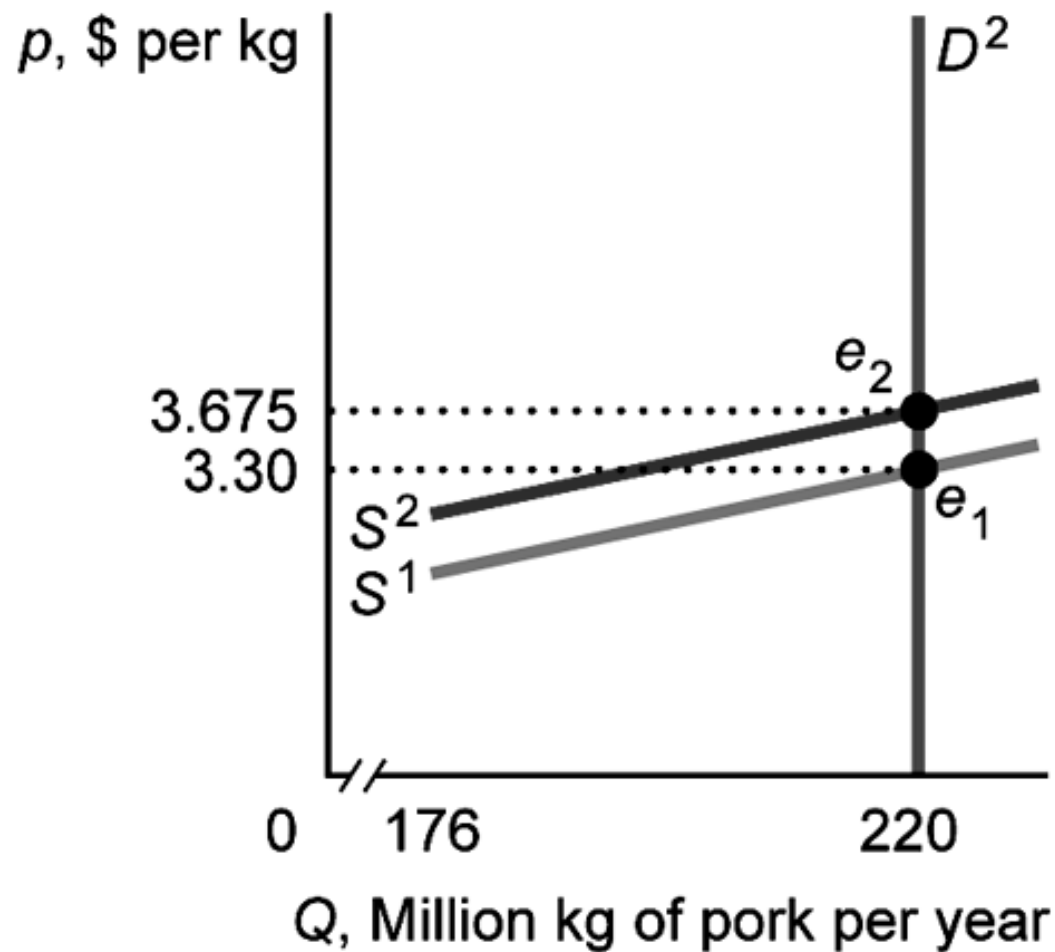


Figure 3.01c How the Effect of a Supply Shock Depends on the Shape of the Demand Curve

(c)

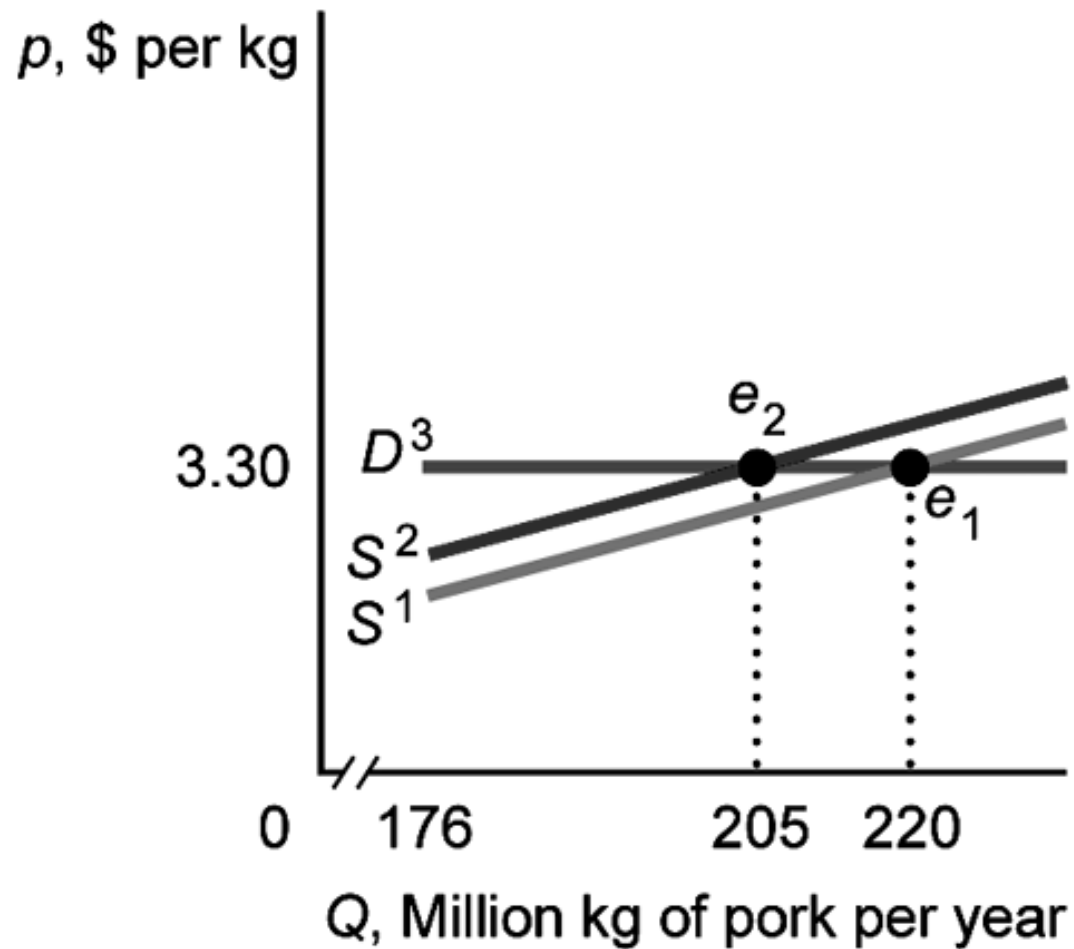
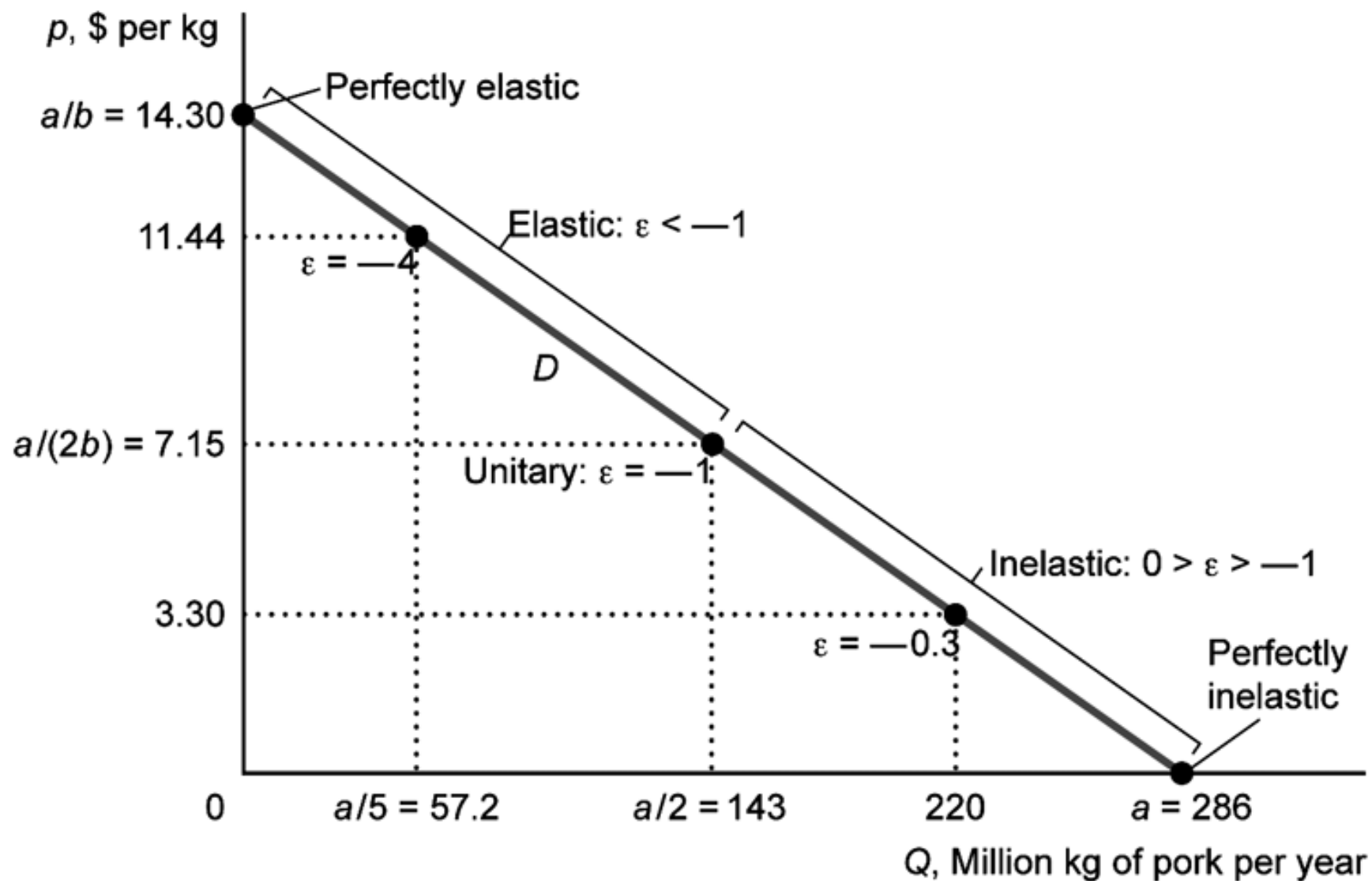


Figure 3.02 Elasticity Along the Pork Demand Curve



## Figure 3.03a Vertical and Horizontal Demand Curves

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### (a) Perfectly Elastic Demand

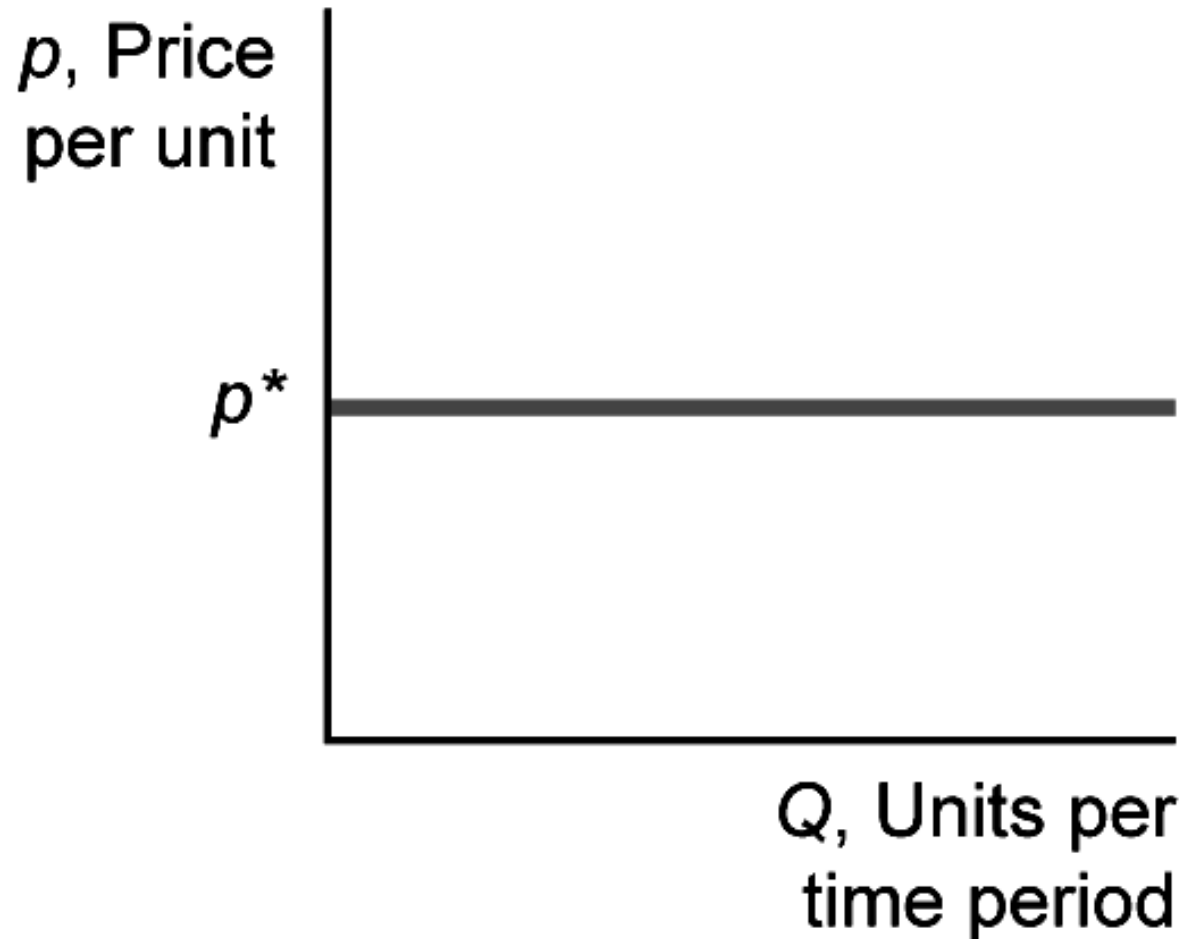
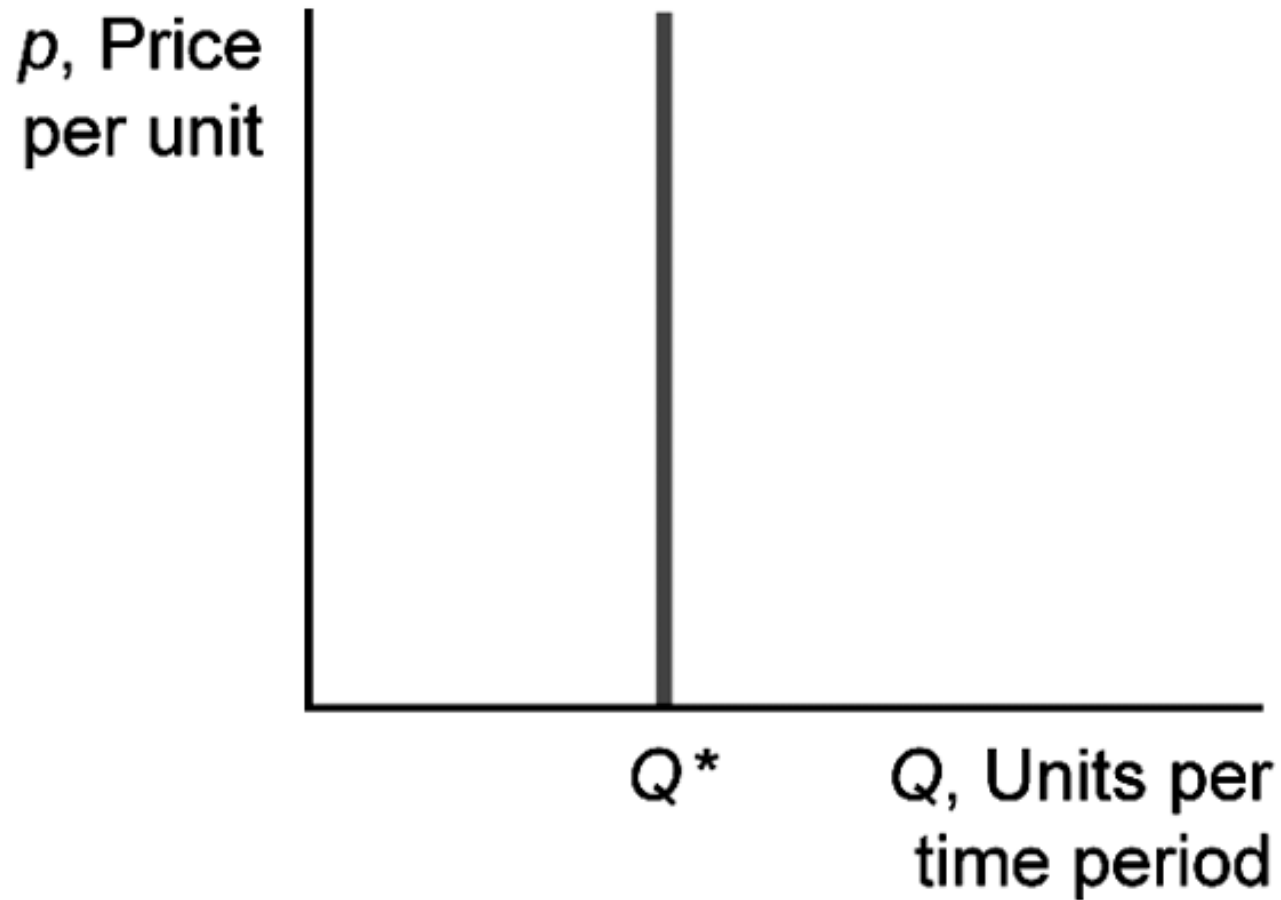


Figure 3.03b Vertical and Horizontal Demand Curves

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(b) Perfectly Inelastic Demand



## Figure 3.03c Vertical and Horizontal Demand Curves

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### (c) Individual's Demand for Insulin

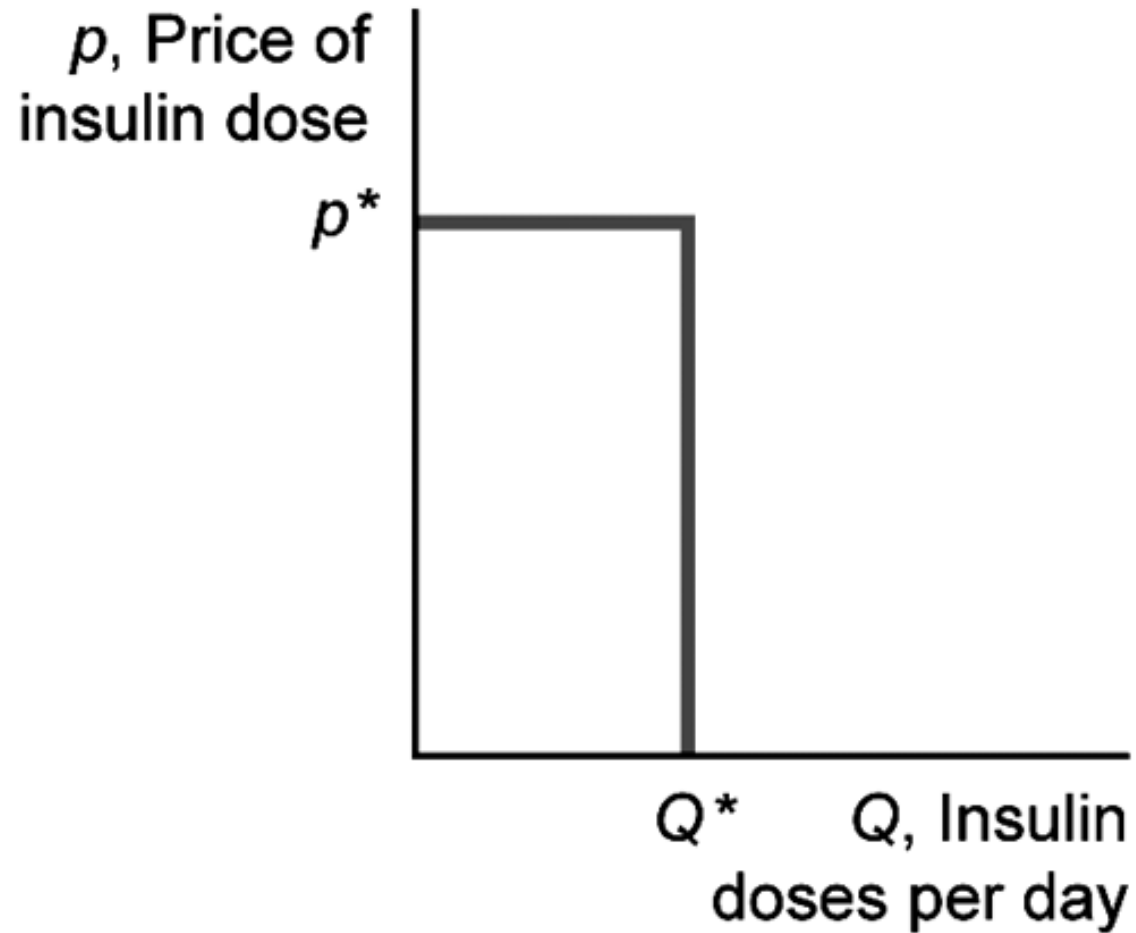


Figure 3.04 Elasticity Along the Pork Supply Curve

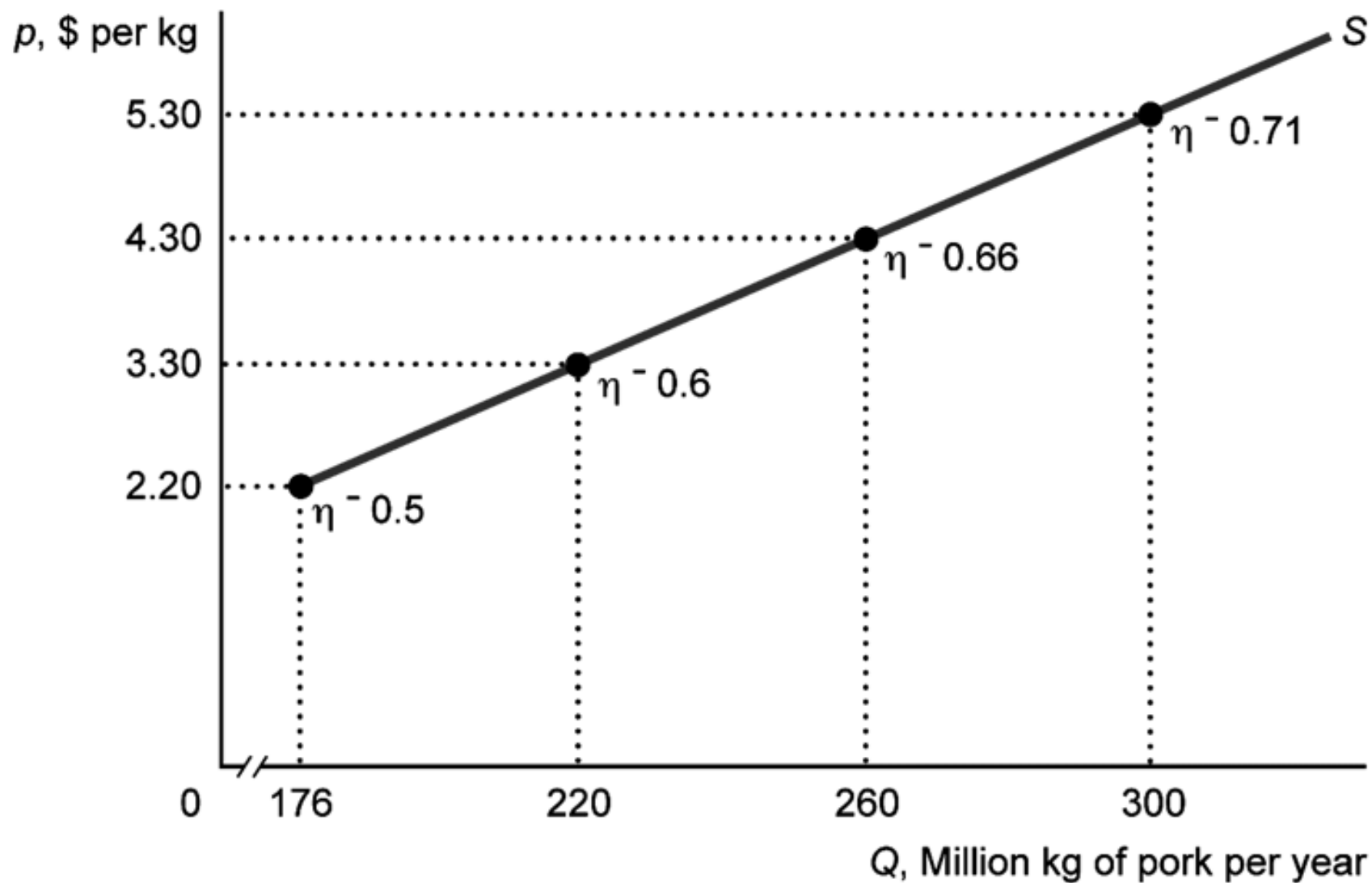
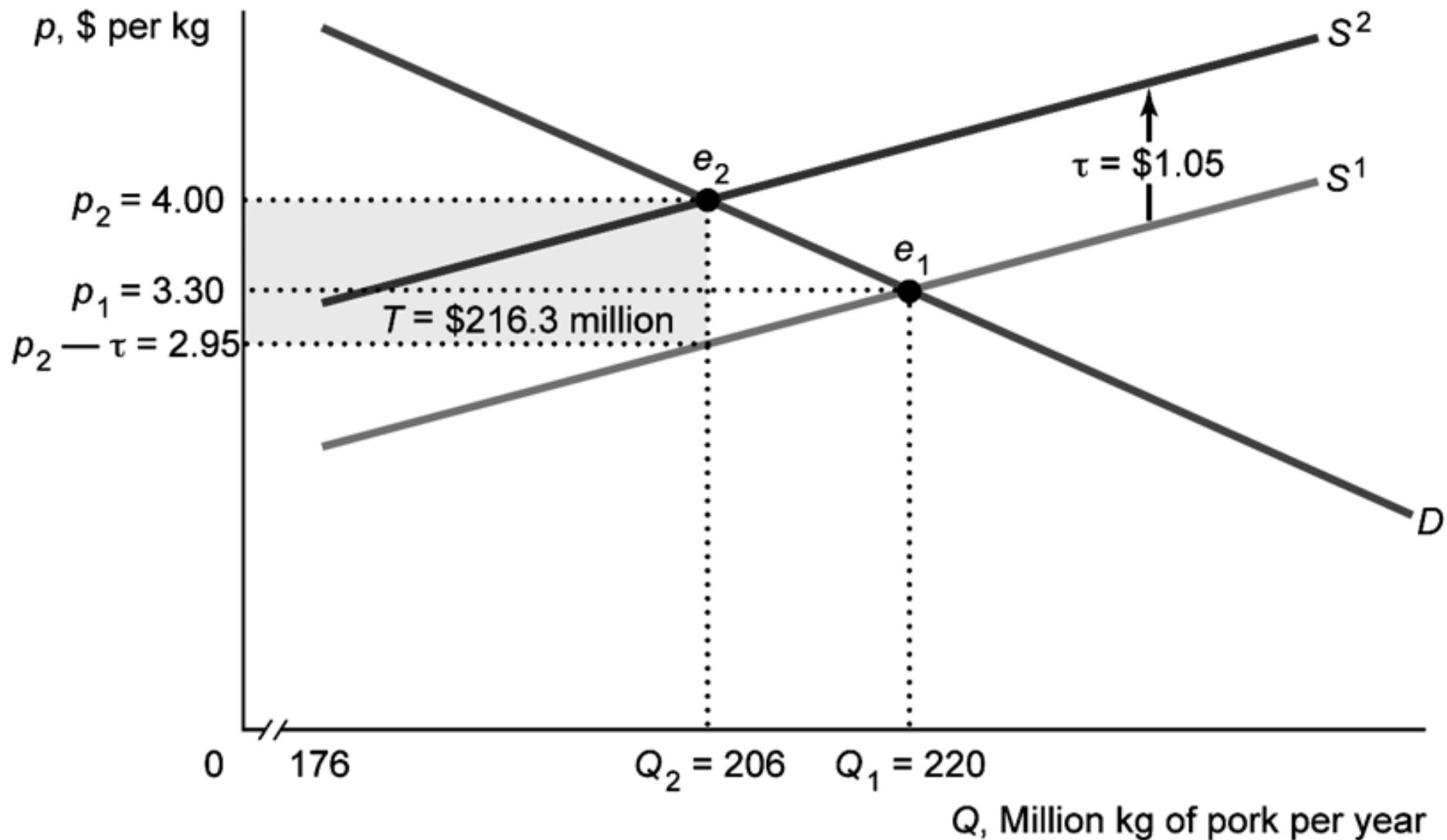


Figure 3.05 Effect of a \$1.05 Specific Tax on the Pork Market Collected from Producers



## Solved Problem 3.1

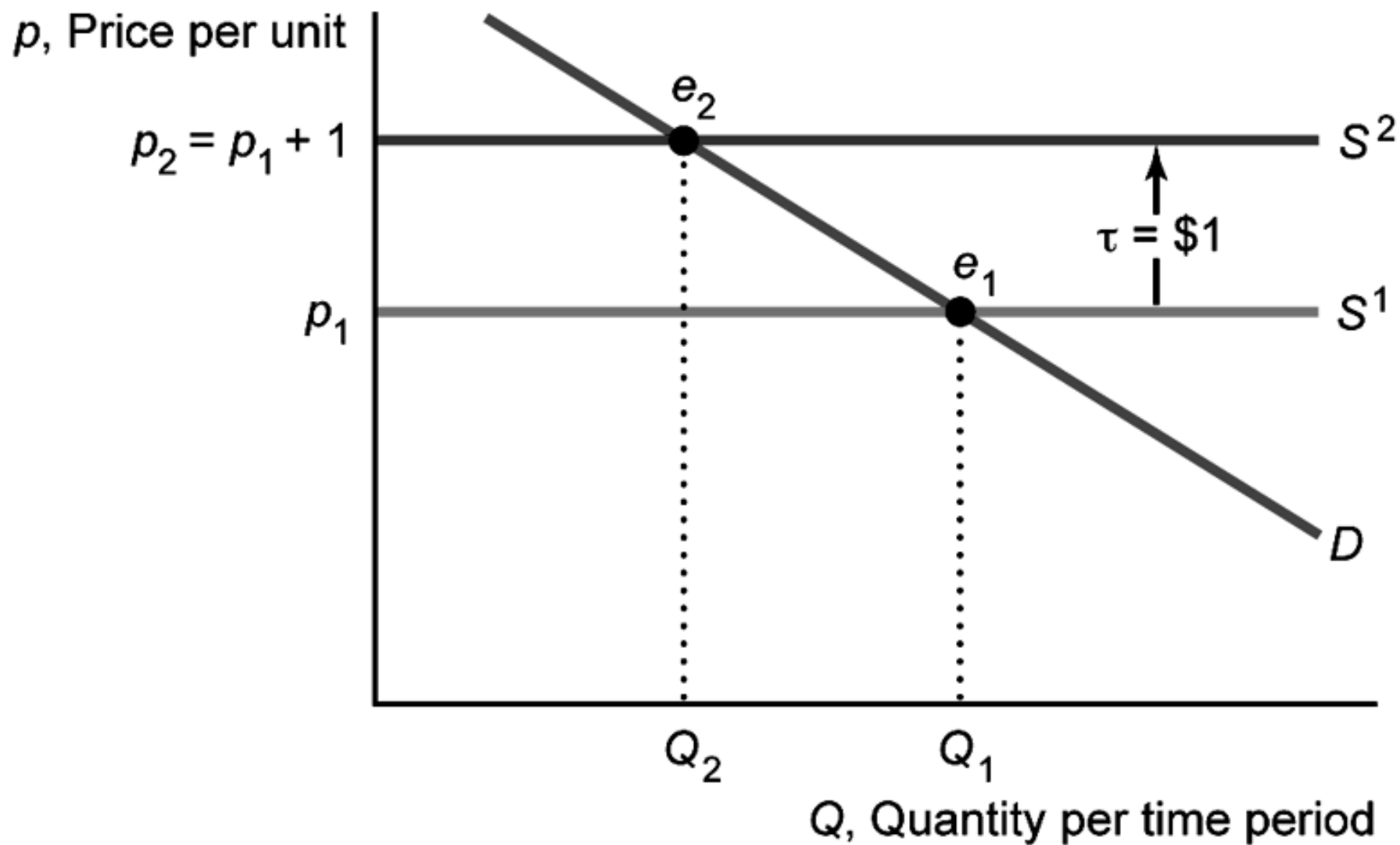


Figure 3.06 Effect of a \$1.05 Specific Tax on Pork Collected from Consumers

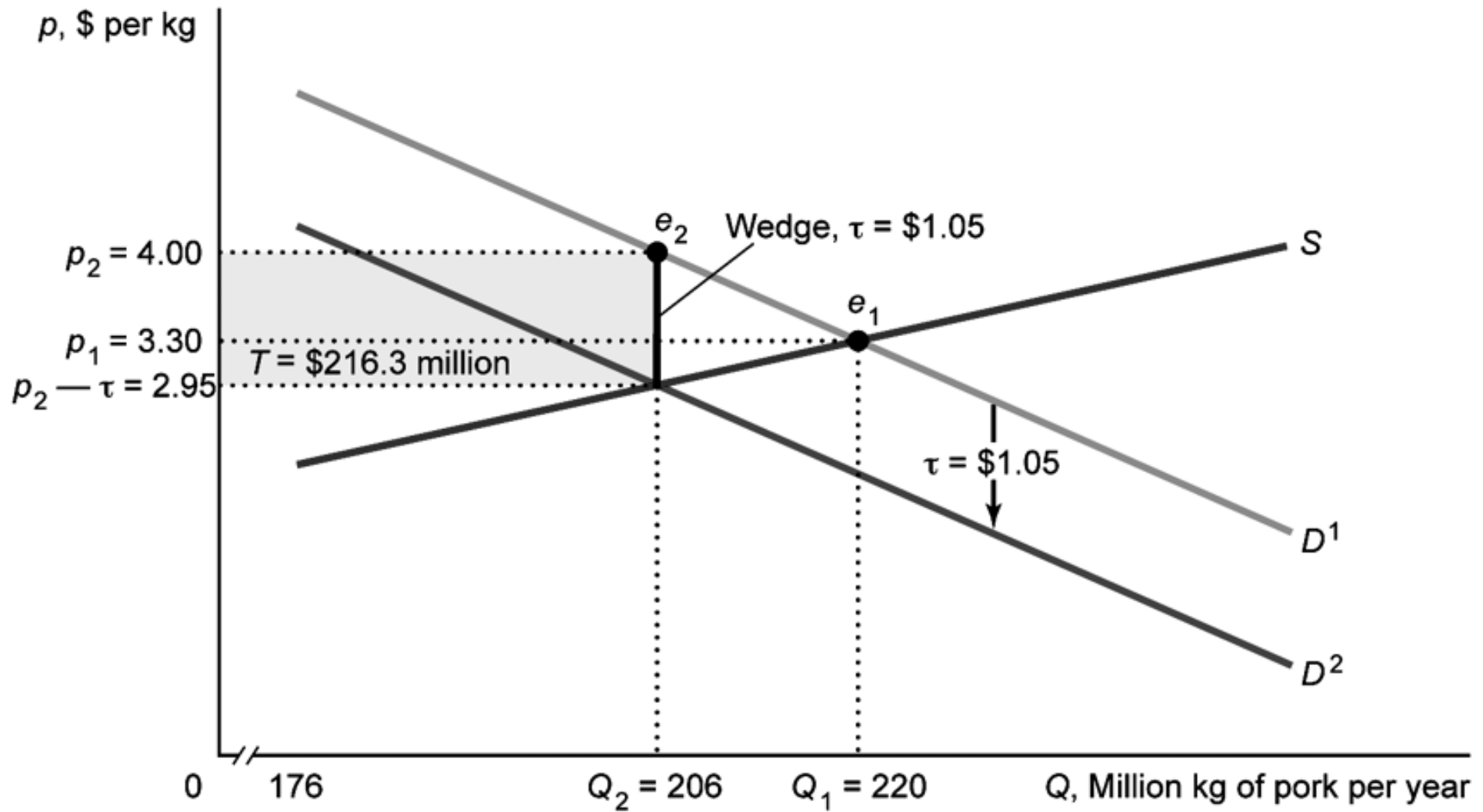
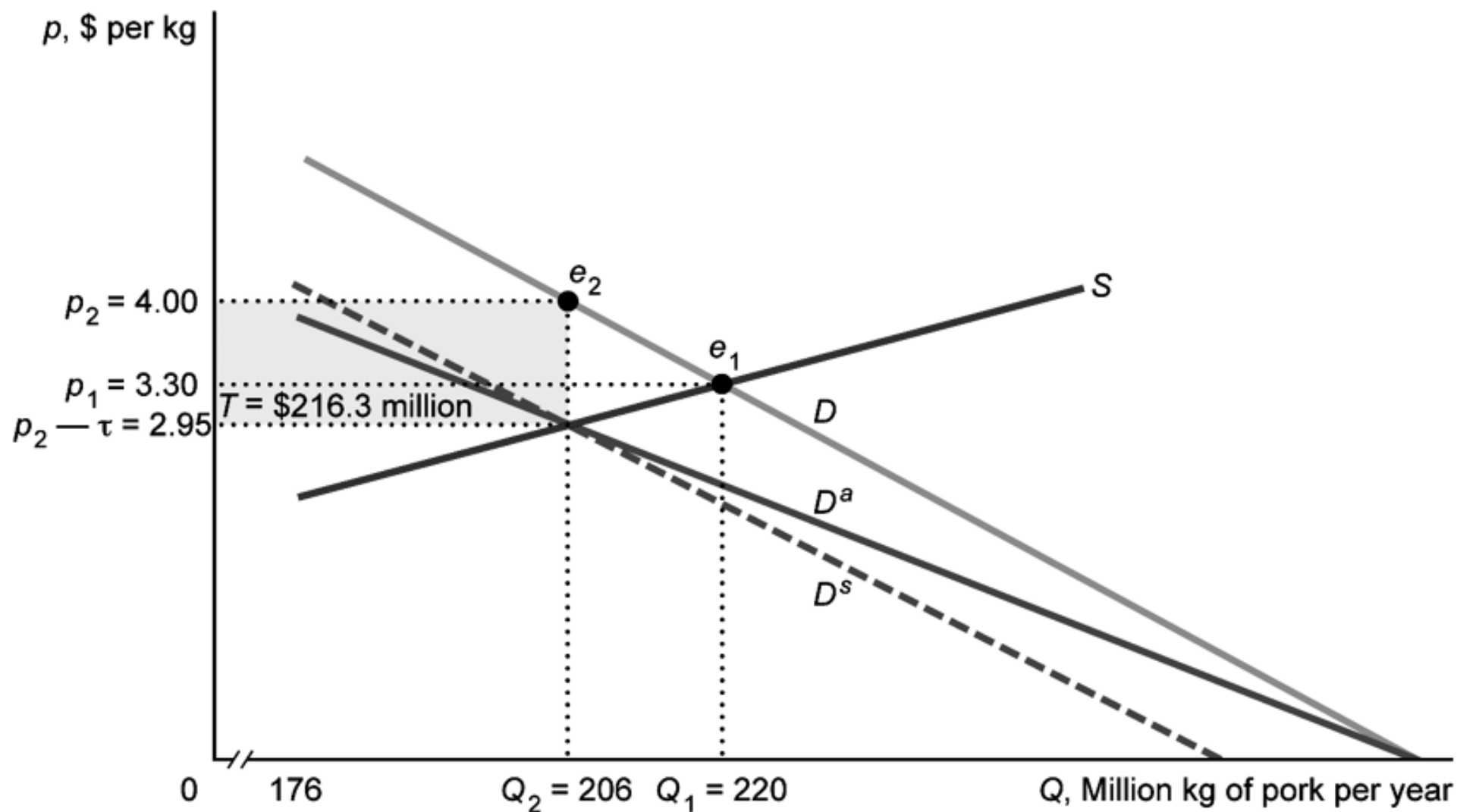


Figure 3.07 A Comparison of an Ad Valorem and a Specific Tax on Pork



## Solved Problem 3.2

