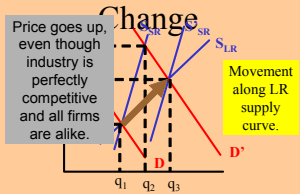
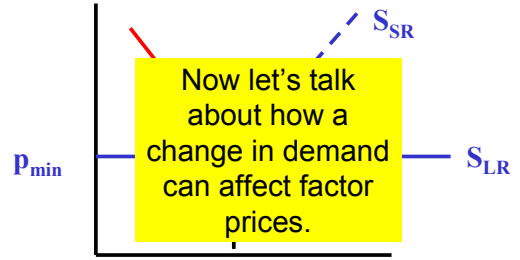


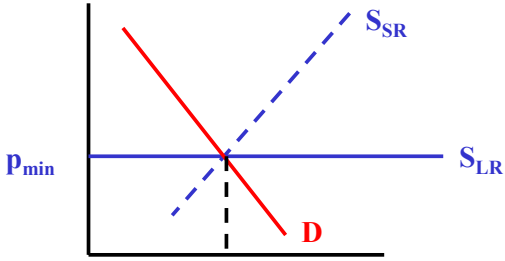
Demand Change to Factor Price



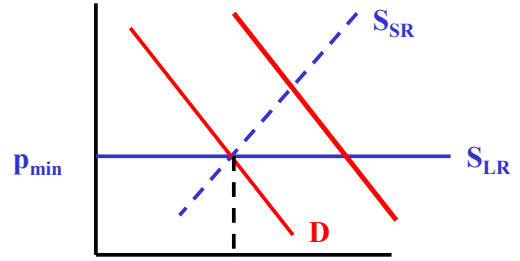
An Endogenous Change



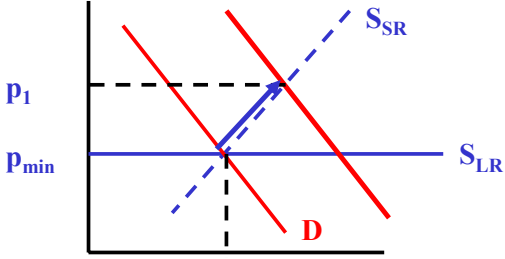
An Endogenous Change



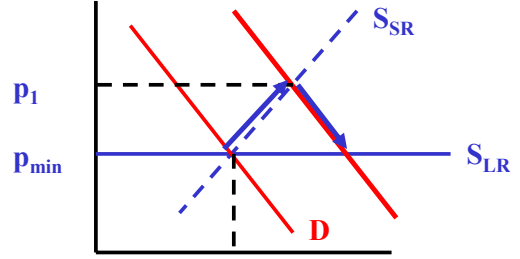
An Endogenous Change



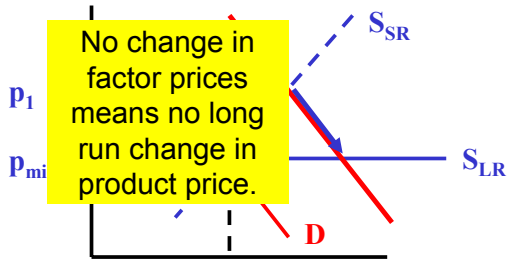
An Endogenous Change



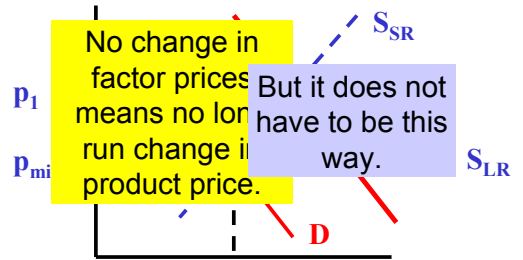
An Endogenous Change



An Endogenous Change



An Endogenous Change



The demand for lumber

- Lumber is a highly competitive business, with a key factor of production: timber.

The demand for lumber

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- Lumber = processed wood (2x4, etc)*
Timber = trees ready for processing

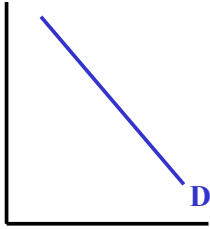
The demand for lumber

- Lumber is a highly competitive business, with a key factor of production: timber.
- A change in the demand for lumber can have feedback effects on the price of timber.

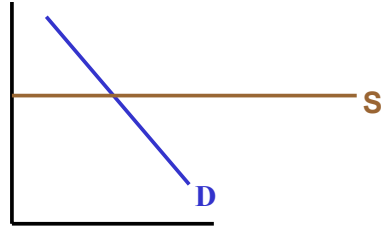
The demand for lumber

- Lumber is a highly competitive business, with a key factor of production: timber.
 - A change in the demand for lumber can have feedback effects on the price of timber.
- This is the case of a pecuniary external diseconomy.**

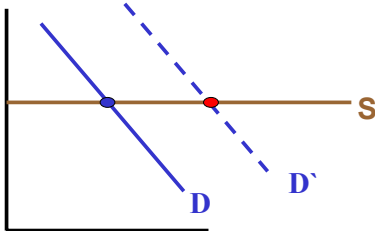
The Demand for Lumber and Timber



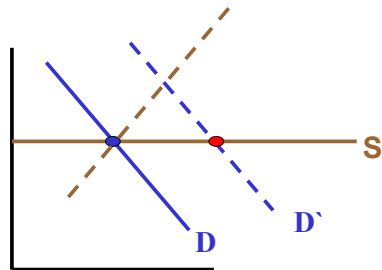
Ignoring Timber Prices



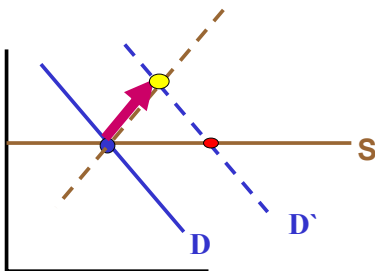
An Increase in Demand



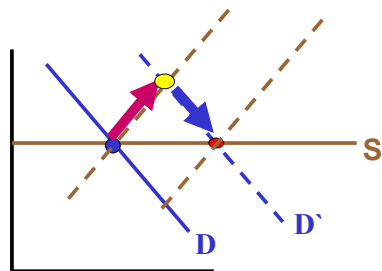
Complication of SR supply curve



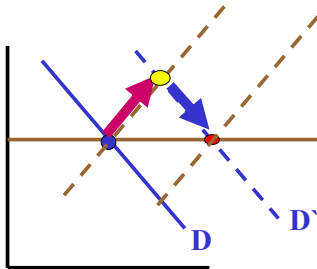
Complication of SR supply curve



Complication of SR supply curve

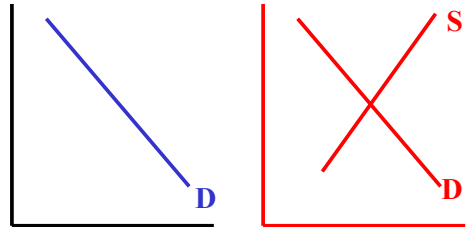


Complication of SR supply curve

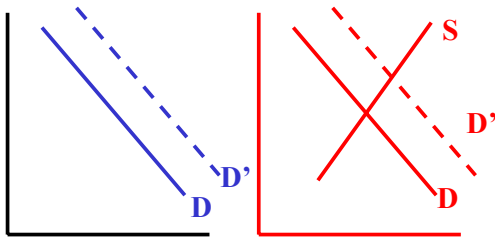


But net effect is no change in price of lumber. A lumber mill is a lumber mill.

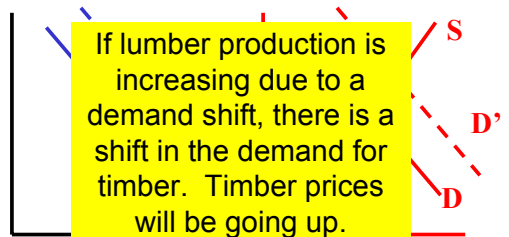
The Demand for Lumber and Timber



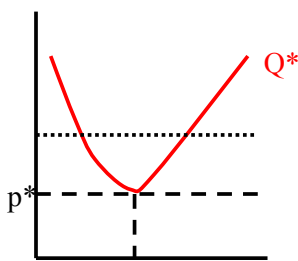
The Demand for Lumber and Timber



The Demand for Lumber and Timber

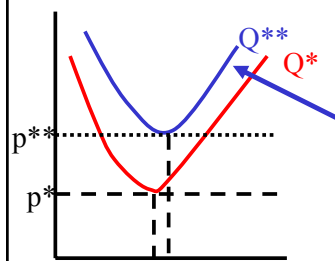


Effect of Price Changes



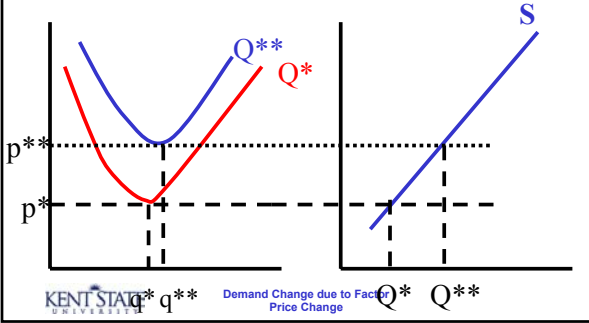
The AC curve assuming timber costs p_1

Effect of Price Changes

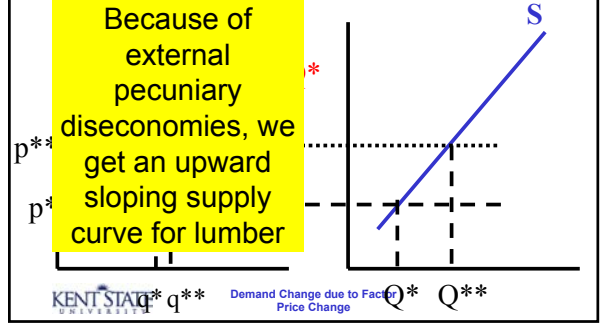


The AC curve assuming
The AC curve assuming timber costs p_2

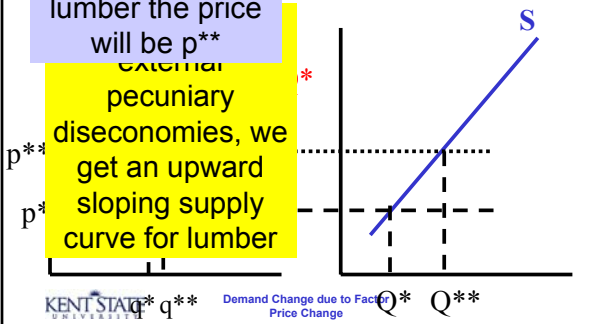
Effect of Price Changes



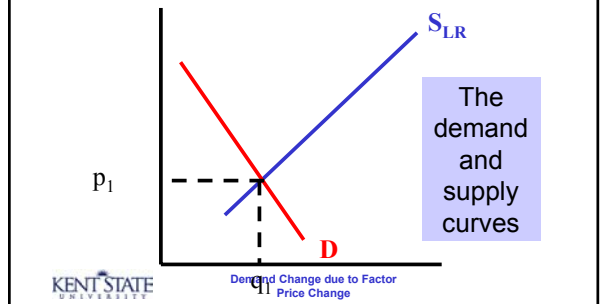
Effect of Price Changes



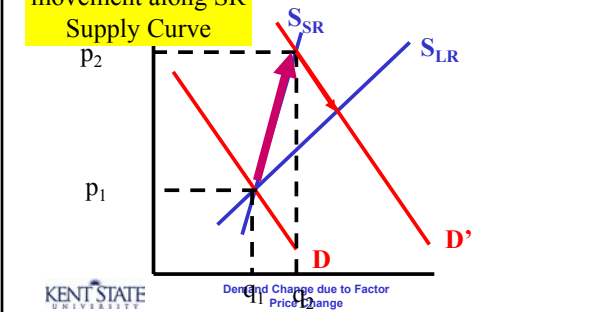
If you want a supply Q^{**} of lumber the price will be p^{**}



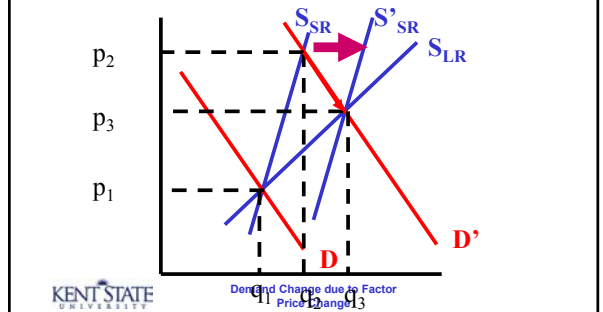
Long Run and Short Run Changes



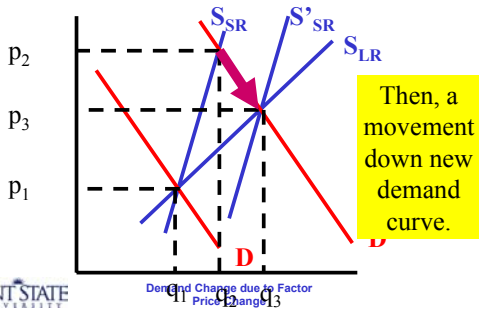
Initial effect of demand shift is movement along SR Supply Curve



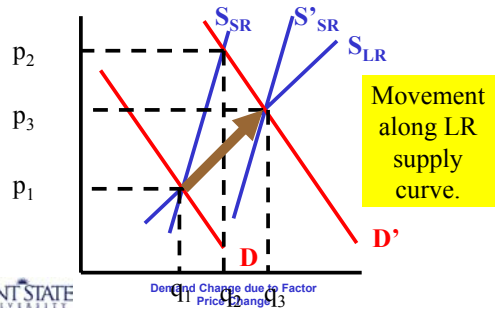
New Firms Enter, Pushing SR Supply Curve to Right



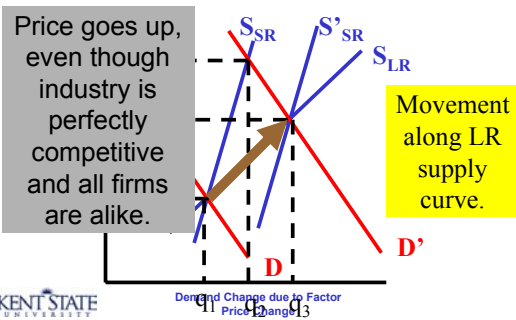
Last Movement



Net Effect



Net Effect



End

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