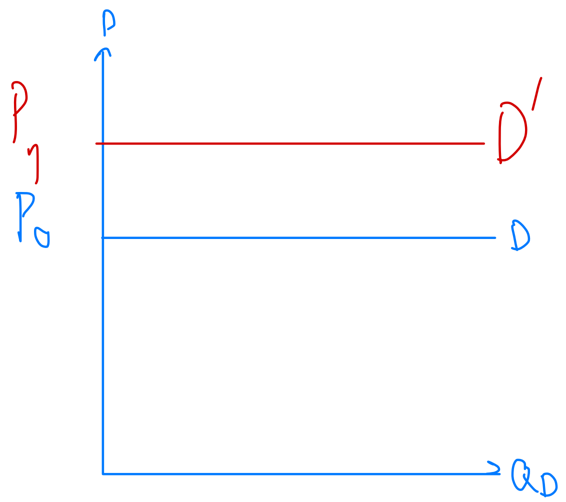
HW#5 Due Feb 3, 2022

1) How the demand increases in each of these extreme cases
A) Demand is horizontal
B) Demand is vertical

2) If individual demands of two consumers are horizontal but at different prices, what will be the market demand derived from these two consumers?

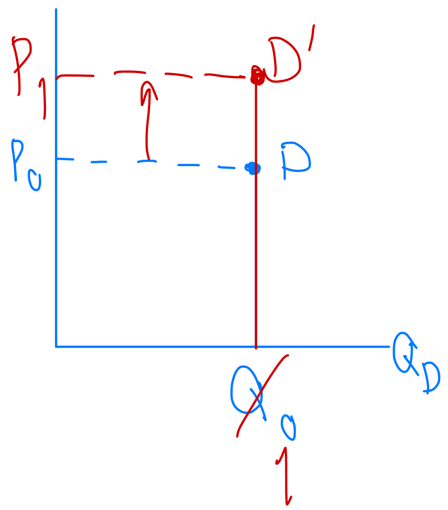
1) A) Demand is horizontal



At P_0, there are infinity quantities and also P that less than P_0 has infinity quantities.

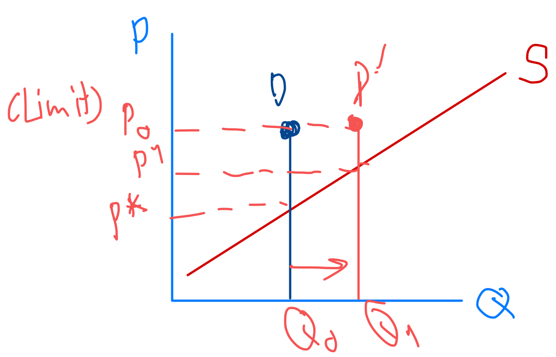
When D increases ($D \rightarrow D'$)
At P_1, Q_D is ZERO

B) Demand is vertical



At Price $\leq P_0$, $Q_D = Q_0$

P_0 is determined by ability to pay
(increase in Price from $P_0 \rightarrow P_1$, D increases)
-heart transplant



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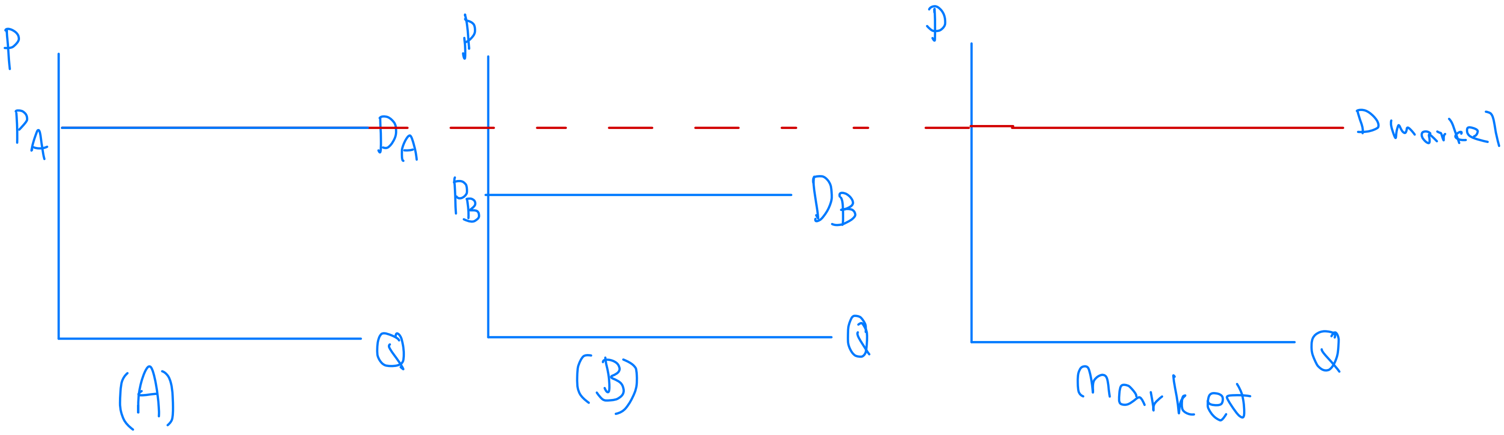

In the Demand market, at P_A is the limit that there are still people that have ability to buy ($Q_D = \infty$). Moreover, people in market B have no ability to buy at P_A but still have $Q_D = \infty$.