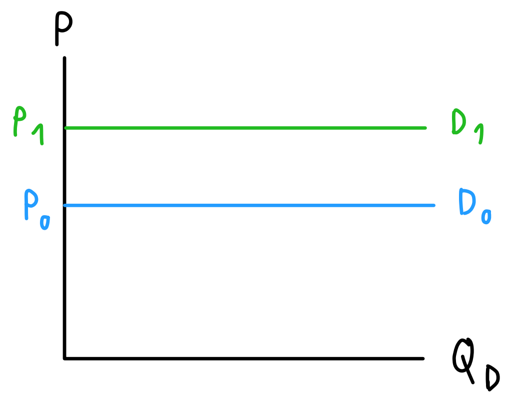
HW#5 Due Feb 3, 2022

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?

a) Demand is horizontal

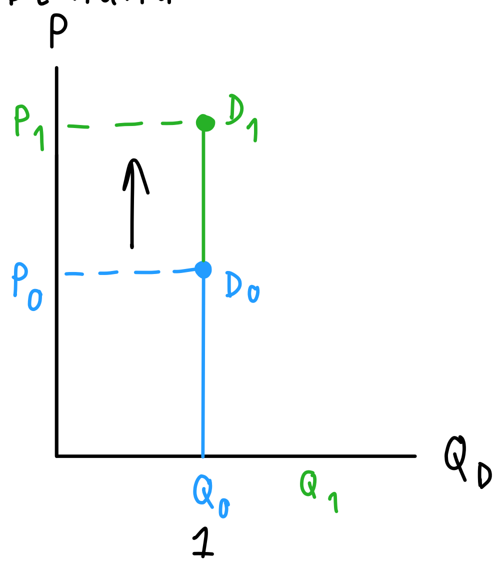


@ P_0, people are willing & able to buy and as much as the products are available.

when the Price ↑ ($P_0 \to P_1$), People are still willing & able to buy even when the price has increased

[Demand ↑ from $D_0 \to D_1$]

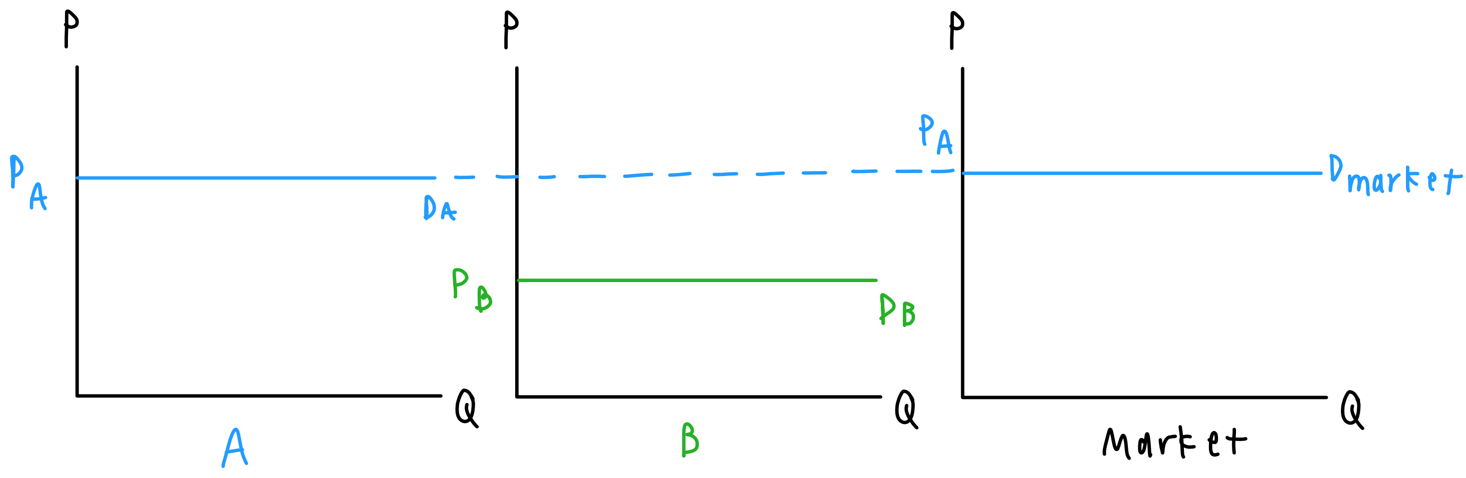
b) Demand is vertical



when demand line is vertical, meaning that people are willing & able to buy at any price it costs (below P_{max})

eg. They got more money & now they are able to buy at the higher price, but the quantity demanded is still the same.

2.



D_{market} will always be at the highest price because no matter what price it is, the quantity demanded is infinity, it will always sold out, so the price in the market will be at the same level as P_A.