

HW#5 Due Feb 3, 2022

1) How the demand increases in each of these extreme cases

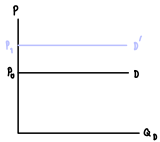
A) Demand is horizontal

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 this product will be sell as much as it's available

when D shifts up from D to D' there is no change in trend of quantity

so we can conclude that consumer could accept the change of price from P_0 to P_1

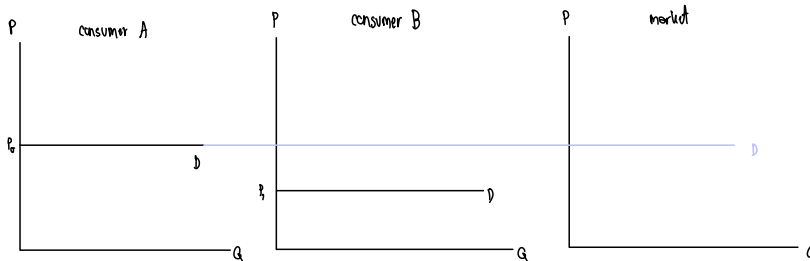
b) demand is vertical



at Q_0 the demand is vertical it show that consumer really need/want this product (people willing to buy at any price level).

then the demand shifts from D to D' it shows no change in trend of demand curve. we can conclude that we have to buy more amount. (ex. have to buy 2 instead of 1)
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 compulsory!

②



∴ it will be sold to consumer who willing to pay in higher price