

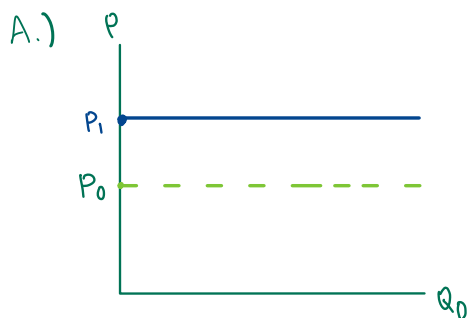
HW#5 Due Feb 3, 2022

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

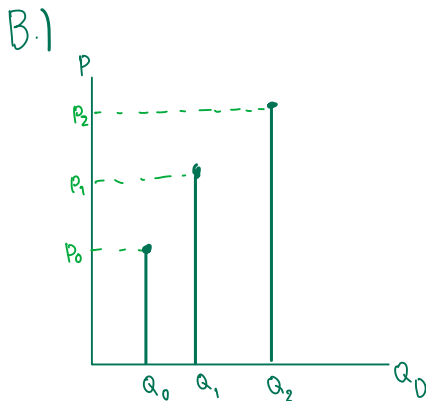
- A) Demand is horizontal
- B) Demand is vertical

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



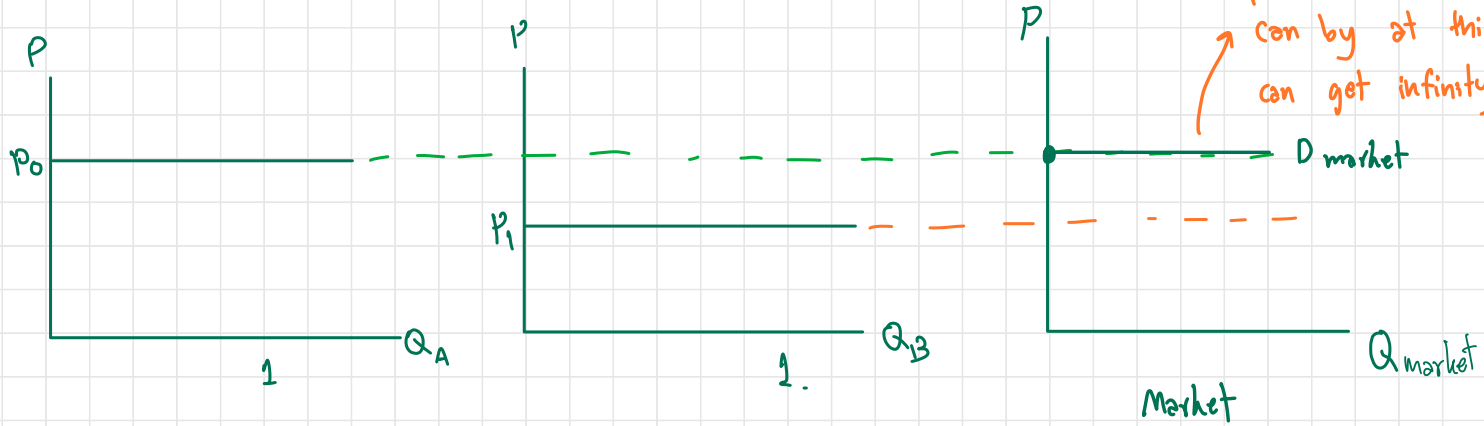
At point P_0 the demand is increase from P_0 to P_2 at the same quantity demand $Q = \infty$ (infinity) : means that buyer are able to pay at the higher price with infinity quantity.



The demand is increase when the seller increase price and able to produce more products.

* at the higher price the quantity you can sell will be more.

②



At p_0 there are buyers that are able and willing to pay at the higher price than p_1 . So, the D_{market} will mark at p_0 . Because at the lower price there are still buyers who can pay at the lower price for the infinity quantity.