

# HW#5 Due Feb 3, 2022

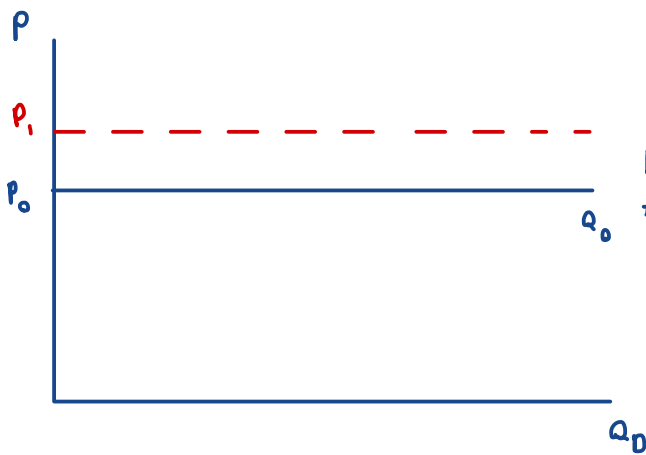
1) How the demand increases in each of these extreme cases

A) Demand is horizontal

B) Demand is vertical

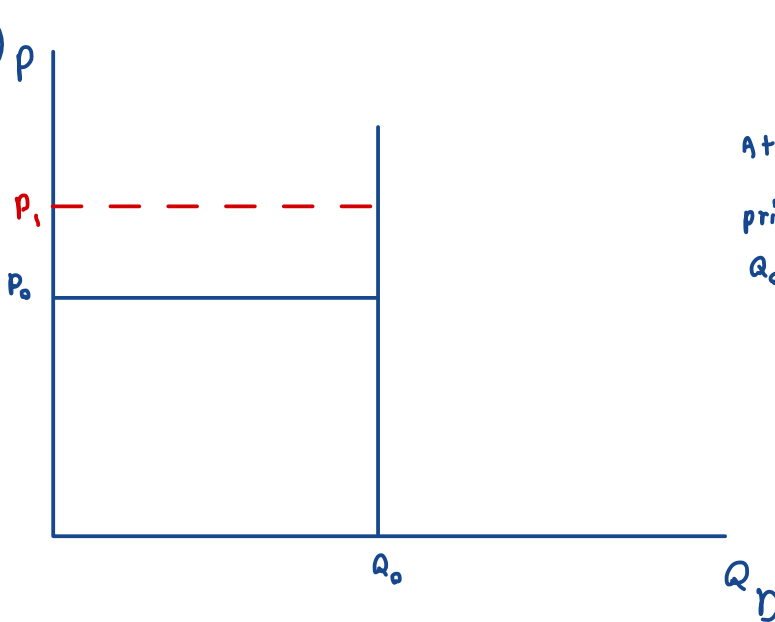
2) If individual demands of two consumers are horizontal but at different prices, what will be the market demand derived from these two consumers?

1) (A)



For this case, At  $P_0$  the demand is infinity, the demand can be as much as available in the market, but if price increases, demand will be zero.

(B)



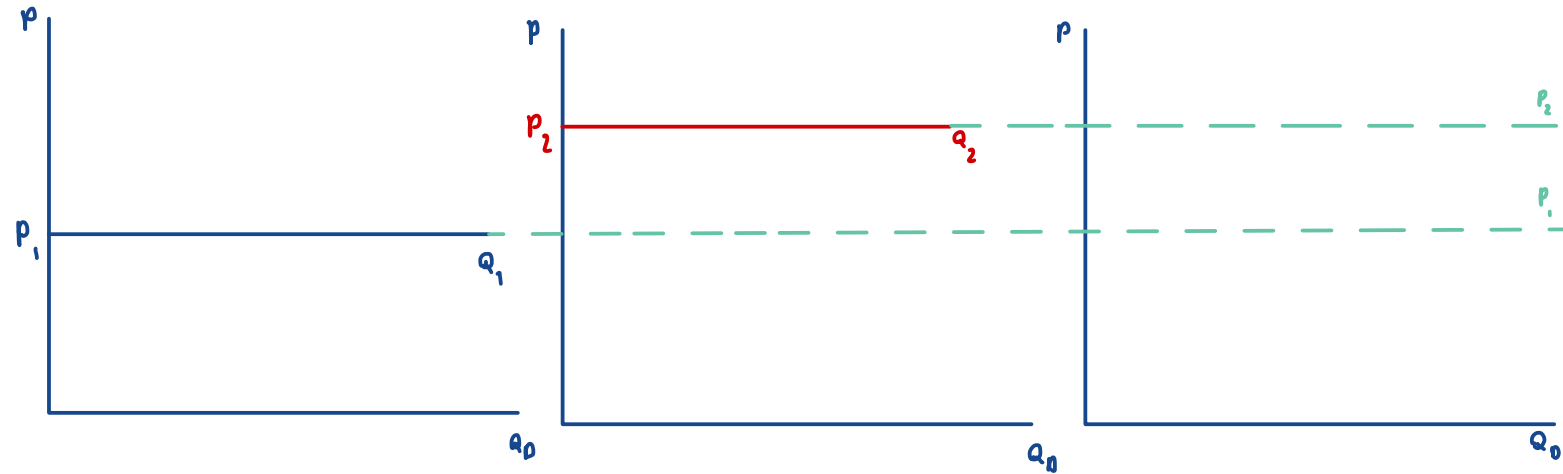
At  $P_0$ , the demand is  $Q_0$  even the price increases the demand still at  $Q_0$

2)

Customer 1

customer 2

Market



At  $P_2$ , customer 1 has no demand but customer 2 still has infinity demand.

At  $P_1$ , Both of customers have infinity demand.

In market, the demand still infinity even price at  $P_1$  or  $P_2$ .