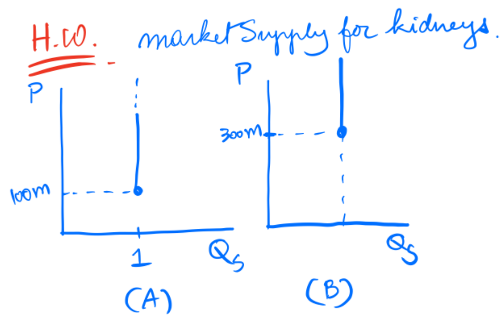
63004640102 HW#3

1.




From the figure above, we can assume that

1.) figure (A) at a certain point, the quantity supplied is constant but the price keeps increasing from 100 m.

2.) figure (B), as well as figure (A) the price is also rising but from the price of 300 m.

So, the buyers most likely to pay for the supplier in figure (A) than the supplier in figure (B) because the price of supplier (A) is much lower.

2

H.W. How D+S increase in Extreme cases.

In the extreme cases, the demand will have zero slope, which means it will parallel to x-axis (quantity), at the certain point on y-axis (price). Any price below the demand curve will make the quantity demanded to be infinity. In contrast, any price above will make the quantity demanded to be zero.

For supply, the term would contrast to demand. It means that any price above the supply curve (at $x=0$) will make the quantity supplied to be infinity. And of course, any price below that curve will make quantity supplied to be zero.

Therefore, to make demand and supply increase in extreme cases, the price must be increased for supply and decreased for demand.