

HW#5 Due Feb 3, 2022

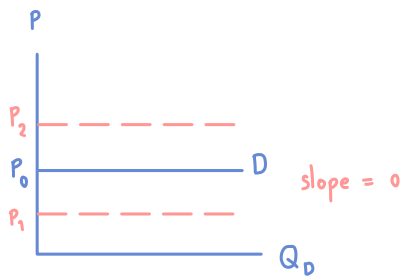
1) How the demand increases in each of these extreme cases

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?

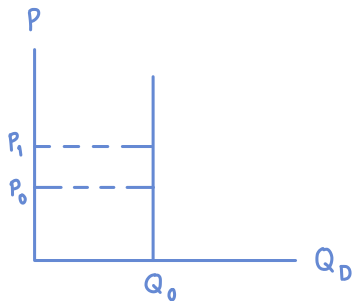
1) (A)



At  $P_0$ ,  $Q_D$  is infinity

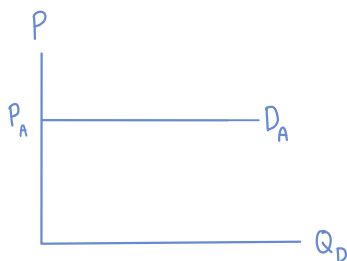
At  $P_2$ ,  $Q_D$  is zero

(B)

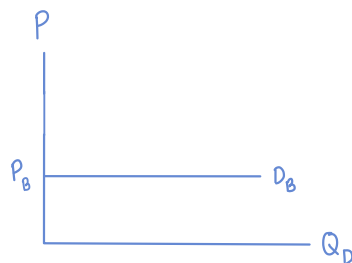


At price  $P_0$  or  $P_1$ , the quantity demand is still  $Q_0$

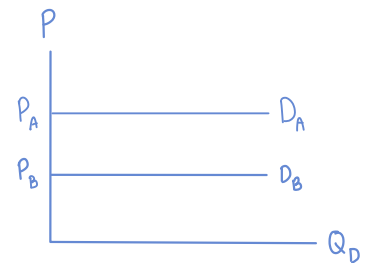
2)



(A)



(B)



Market