

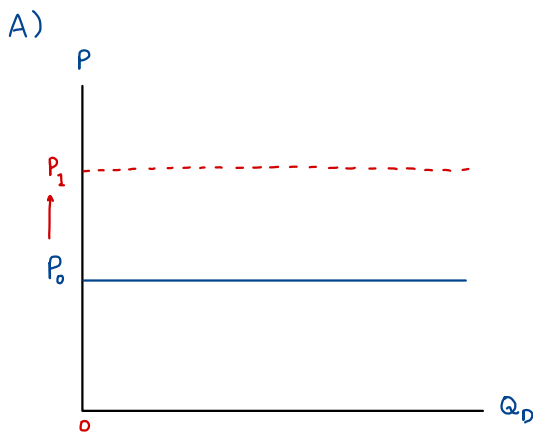
HW#5 Due Feb 3, 2022

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

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

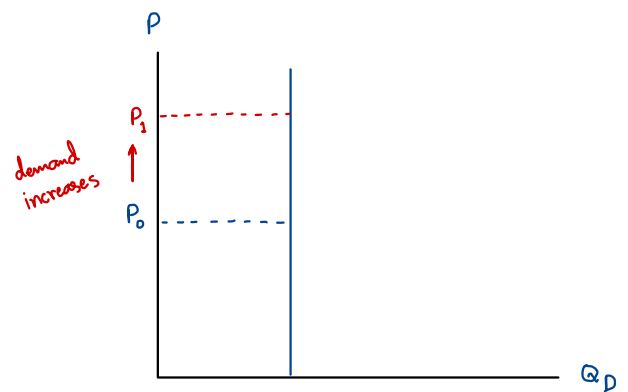
2) If individual demands of two consumers are horizontal but at different prices, what will be the market demand derived from these two consumers?

1)



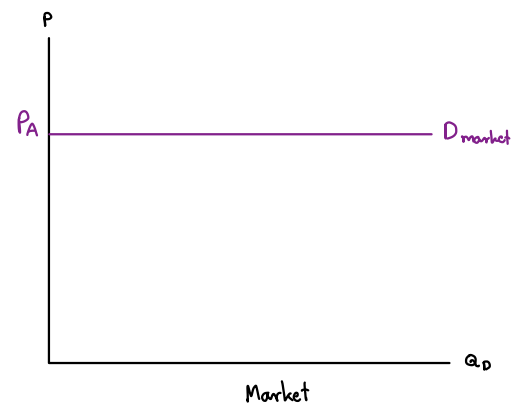
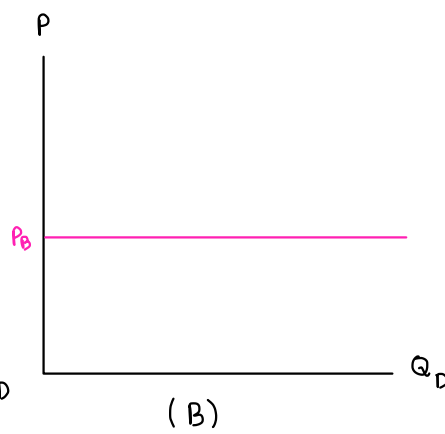
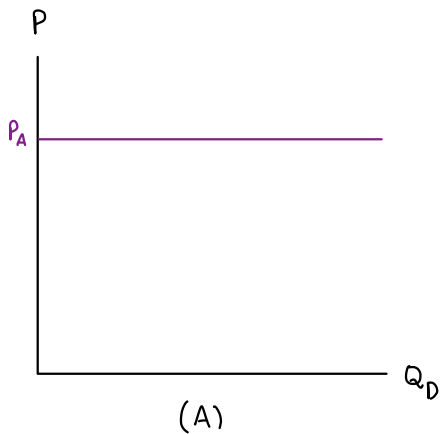
At P_0 , people are willing to buy which quantity demanded is infinite, but when price goes up, people don't want to buy anymore that make quantity demanded to be zero.

B)



When price goes up quantity demanded is still the same, but if the price goes up too much, some people may not afford. On the other hand, when demand increases that means we are able to pay more. Price goes up

2)



Both A and B buy for infinite quantity, so the highest price will be market price, but it also depends on supply as well.