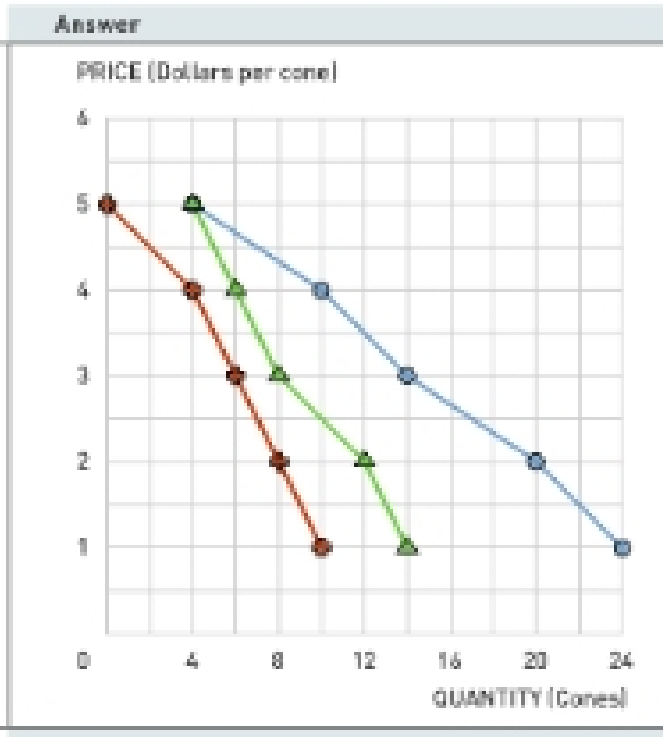
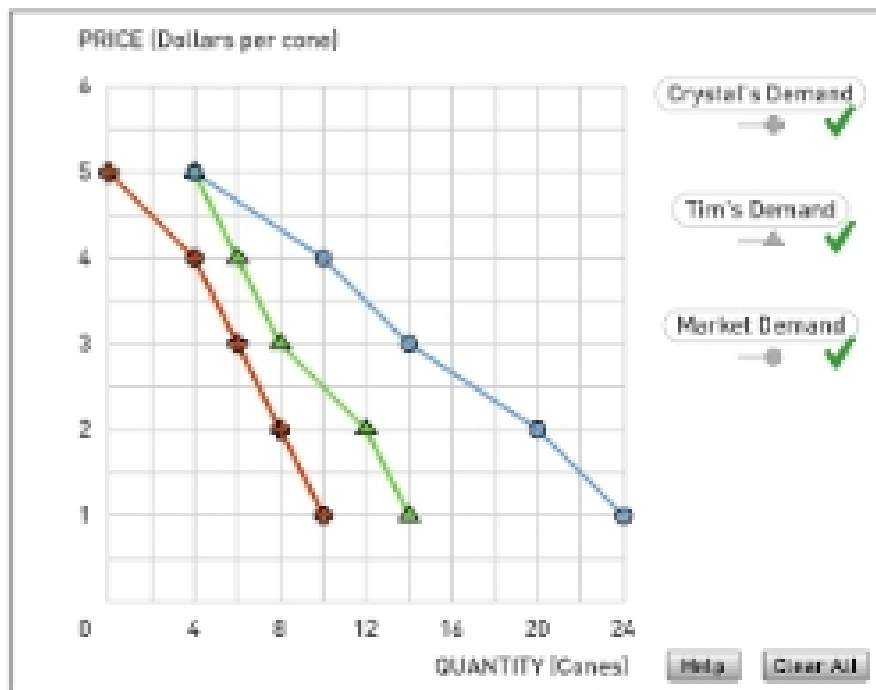


## 2. Individual and market demand

Suppose that Tim and Crystal are the only consumers of ice cream cones in a particular market. The following table shows their demand schedules:

Price (\$ per cone)	Crystal's Quantity Demanded (Cones)	Tim's Quantity Demanded (Cones)
1	10	14
2	8	12
3	6	8
4	4	6
5	0	4

On the following graph, plot Crystal's demand for ice cream cones using the red points (cross symbol). Next, plot Tim's demand for ice cream cones using the green points (triangle symbol). Finally, plot the market demand for ice cream cones using the blue points (circle symbol). Line segments will automatically connect the points. Remember to plot from left to right.



Explanation:

Close ^

Each point on an individual's demand curve corresponds to one of the entries in his or her demand schedule. For example, when the price of ice cream is \$2, Crystal demands 8 cones, and Tim demands 12 cones. Therefore, the point (8, 2) lies on Crystal's demand curve, and the point (12, 2) lies on Tim's demand curve.

You can find the points for the market demand curve by adding up the quantity demanded by each individual in the market. For example, when the price of ice cream is \$2, Crystal demands 8 cones, and Tim demands 12 cones; therefore, total market demand is  $8 + 12 = 20$  cones. Repeating this process, you can construct the following market demand schedule:

Price (\$ per cone)	Crystal's Quantity Demanded (Cones)	+	Tim's Quantity Demanded (Cones)	=	Market Quantity Demanded (Cones)
1	10		14		24
2	8		12		20
3	6		8		14
4	4		6		10
5	0		4		4

Visually, this corresponds to a horizontal summation of the demand curves. In other words, though each point on an individual's demand curve refers to a price and a quantity, it's best to think of that point as the quantity the individual would buy at that price rather than as the price he or she would be willing to pay for that quantity. Therefore, to find the total quantity demanded in a market, you add up the quantity demanded by each individual at the same price—that is, you add the horizontal component of each point on each individual's demand curve.