

#67645 Economics, Macroeconomics

Blue Kashmir Sapphires are generally believed to be a rare gemstone. Use demand and supply curves to illustrate and explain why such a rare item is sold at such high price.

Answer:

According to Figure 1, low product supply and great demand for it, results in high price.

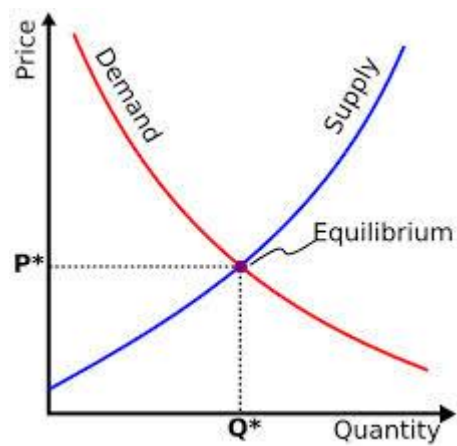


Figure 1 – Supply and demand curves

Due to this, Blue Kashmir Sapphires being rare (low supply), has high price.