

Answer on Question #67747, Economics / Microeconomics

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

ANSWER:

If gemstone is relatively rare so it's supply almost constant, it could shift from S1 to S2, but this step won't be big due to limitation in supply

On the other hand demand is very high and can shift from D1 to D2 and it leads to significant growth of price – from P1 to P2, because such increase cant be covered by supply move

