

Taylor Economics Chapter 4

1. What is elasticity?
2. Using words that are understandable, define price elasticity of demand.
3. What does price elasticity of demand measure?
4. What is the formula for measuring price elasticity of demand?
5. If the price elasticity of demand for BMW 3 Series cars is 2.7 and the price of BMWs changes 32%, what was the percentage change in quantity demanded?
6. The price of eggs increases 16%, which results in a 10% decrease in quantity demanded. What is the price elasticity of demand for eggs?
7. The elasticity of waffles is 1.8. The quantity demanded increased 21%. What was the difference in price?
8. The price of Nike shoes changes from \$75 to \$65. The quantity demanded goes from 5 million shoes to 9 million. What is the elasticity of Nike shoes in this example.
9. Draw the graph and show the changes in quantity demanded and price like the curve in Figure 4.1.
10. Create a scenario and demonstrate it on a curve where the elasticity for a product of your choosing is less than the elasticity of the Nike shoes in number 8.
11. What signifies whether or not a good is elastic (a number)?
12. What must be true for a good to be classified as having inelastic demand?
13. Draw a demand curve that is perfectly elastic.
14. Draw a demand curve that is perfectly inelastic.
15. Why is the perfectly inelastic demand curve the way it is?
16. Write the Midpoint formula for determining elasticity.
17. $P=15$, $Q=25$; change happens: $P=17$, $Q=21$. Calculate the elasticity using the midpoint formula.
18. How is revenue calculated?
19. How much revenue does Mrkaich make from selling 64 candy bars to hungry students for \$1.25?
20. Why does revenue fall for items having elastic demand when the price of the good is increased?
21. Why does the availability of a substitute help determine elasticity for a good?
22. How does a good's status as a necessity or luxury help to determine its elasticity?
23. What causes a shift in the demand curve?
24. Write the formula for income elasticity of demand.
25. What is a normal good?
26. What makes a good inferior?
27. Write the formula for cross-price elasticity of demand.
28. Define price elasticity of supply.
29. Write the formula for price elasticity of supply.
30. Why is the supply curve vertical for a perfectly inelastic good?
31. Why does a perfectly elastic good have a horizontal supply curve?
32. Do problem 1 on page 105.
33. Do problem 3 on page 105.
34. Do problem 5 on page 105.
35. Do problem 6 on page 105.
36. Do problem 8 on page 105.
37. Do problem 10 on page 106.
39. Look up and define unit elasticity.
40. Using the midpoint formula, calculate the elasticity of demand for shoelaces when originally 300 pairs of shoelaces are sold at \$1.30, but later only 250 pairs are sold at a price of \$1.50.
41. What is the elasticity of demand for movie tickets when the movie theater takes in \$480 per showing at a price of \$2 when before it earned \$360 at a price of \$3.
42. How much and what type of change will result if the income elasticity of demand for boots is .4, and consumers suffer a 10% decrease in income?