

Ödev 4

2. A firm has just increased its price by 5 percent over last year's price, and it found that quantity sold remained the same. (LO6-1)
  - a. The firm comes to you and wants to know its price elasticity of demand.
  - b. How would you calculate it?
  - c. What additional information would you search for before you did your calculation?
  
5. Which has greater elasticity: a supply curve that goes through the origin with slope of 1 or a supply curve that goes through the origin with slope of 4? (LO6-1)
  
8. Economists have estimated the following transportation elasticities. For each pair, explain possible reasons why the elasticities differ. (LO6-2)
  - a. Elasticity of demand for buses is 0.23 during peak hours and 0.42 during off-peak hours.
  - b. Elasticity of demand for buses is 0.7 in the short run and 1.5 in the long run.
  - c. Elasticity of demand for toll roads is 4.7 for low-income commuters and 0.63 for high-income commuters.
  
7. Which of the pairs of goods would you expect to have a greater price elasticity of demand? (LO6-2)
  - a. Cars, transportation.
  - b. Housing, leisure travel.
  - c. Rubber during World War II, rubber during the entire 20th century.
  
11. Once a book has been written, would an author facing an inelastic demand curve for the book prefer to raise or lower the book's price? Why? (LO6-3)

10. A newspaper recently lowered its price from 50 cents to 30 cents. As it did, the number of newspapers sold increased from 240,000 to 280,000. (LO6-3)
- What was the newspaper's elasticity of demand?
  - Given that elasticity, did it make sense for the newspaper to lower its price?
  - What would your answer be if much of the firm's revenue came from advertising and the higher the circulation, the more it could charge for advertising?
16. For each of the following goods, state whether it is a normal good, a luxury, a necessity, or an inferior good. Explain your answers. (LO6-4)
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|----------------|-------------|
| a. Vodka.      | d. Perfume. |
| b. Table salt. | e. Beer.    |
| c. Furniture.  | f. Sugar.   |
17. For each of the following pairs of goods, state whether the cross-price elasticity is likely positive, negative, or zero. Explain your answers. (LO6-4)
- Lettuce, carrots.
  - Housing, furniture.
  - Nike sneakers, Puma sneakers.
  - Jeans, formal suits.