Elasticity – Day 6 Questions
Econ 201/Haworth

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To receive credit for this assignment, go to Assignments and find the folder entitled Daily Questions. Inside that folder, you'll find a folder entitled Section 1. Once you're in that folder, click on the link that says ***Elasticity-Day 6*** *and complete the assignment. When you are finished, you may submit. Remember that the deadline for submitting this Day 6 Daily Question assignment is Monday, February 6, at 9:00pm.*

Question #1 corresponds with the information below regarding the market for cigarettes:

- **Demand for cigarettes**: given the addictive nature of cigarettes, we believe that the short run demand for cigarettes (i.e. quantity demanded for 1 year) is much more inelastic than the long run demand for cigarettes (i.e. quantity demanded for 8-10 years). Of course, there are also multiple brands of cigarettes that demanders can purchase.
- **Supply of cigarettes**: the quantity of cigarettes supplied tends to be more inelastic in the short run than in the long run

1. Which of the following is a true statement about this market:
a. the short run demand for cigarettes is steeper than the long run demand for cigarettes
b. the short run demand for cigarettes is more elastic than the long run demand for cigarettes
c. the short run demand for cigarettes is flatter than the long run demand for cigarettes
d. the short run demand for a specific brand of cigarettes is less elastic than the short run market demand for cigarettes
e. both b and d are correct

2. If the price of good X decreases by 5%, then consumers buy 3% more units of good X, then which of the following is the correct interpretation of this information:
a. good X is an inferior good
b. good X is a necessity
c. good X has an inelastic demand
d. good X has an elastic demand
e. good X is a substitute

3. If we discover that a 10% increase in consumer income leads to consumers buying 12% fewer units of good X, but a 10% increase in consumer income leads to consumers buying 6% more of good Y, then which of the following is a correct interpretation of this information:
a. goods X and Y are complements
b. goods X and Y are substitutes
c. good X is a luxury and good Y is a necessity
d. good X is an inferior good, but good Y is both a normal good and a luxury
e. good X is an inferior good, but good Y is both a normal good and a necessity

4. Assume that the own-price elasticity of a good is -0.75, then how does a 10% increase in the price of that good affect the good's quantity demanded?
a. 75% increase in quantity demanded
b. 0.075% decrease in quantity demanded
c. 7.5% decrease in quantity demanded
d. 75% decrease in quantity demanded
e. none of the above

5. Assume that a good has an own-price elasticity of -0.75. If this good experiences a 1% increase in price, then how is the total revenue associated with selling this good affected by the price increase?
a. increase in total revenue
b. decrease in total revenue
c. no change in total revenue