

Homework Assignment-Elasticity
Economics 130-Microeconomics
Windward Community College
30 POINTS-

Name: _____
Due Date: _____
Score: _____

1. For each of the following pairs of goods, which good would you expect to have more elastic demand and why? 2 points apiece for a total of 8 points.
 - a. Required textbooks or mystery novels.
 - b. Beethoven recordings or classical music recordings in general.
 - c. heating oil during the next six months or heating oil during the next five years.
 - d. Pepsi or soda in general

2. Suppose that business travelers and vacationers have the following demand for airline tickets from New York to Boston.

Price	Qd-Business Travel	Qd-Vacation Travel
\$150	2,100	1,000
\$200	2,000	800
\$250	1,900	600
\$300	1,800	400

- a. As the price of tickets rises from \$200 to \$250, what is the price elasticity of demand for: **SHOW YOUR WORK** 2 points apiece for a total of 4 points
- i. Business travel
- ii. Vacationers
- b. Why might vacationers have different elasticity than business travelers? 2 points.
- c.

3. The New York Times reported that subway ridership declined after a fare increase: “There were nearly four million fewer riders in December 1995, the first full month after the price of a token increased 25 cents to \$1.50, than in the previous December, a 4.3 percent decline.”
- a. Use this data to estimate the price elasticity of demand for subway rides.
HINT: PERCENTAGE METHOD 2 points

 - b. According to your estimate, what happens to the Transit Authority’s revenue when the fare rises? 2 points

 - c. Why might your estimate of the elasticity be unreliable? 2 points.

4. Go to the library and read two articles from the Wall Street Journal that pertains to any of the economic theories that we have discussed in this class. State the name and date of the article and summarize the article in your own words. 5 points apiece for a total of 10 points.

Article #1

Article #2