

**EE211 Section 1 Quiz 3 (Submit in class)**

Name \_\_\_\_\_ Last 4 digits ID \_\_\_\_\_

**Answers all following questions. Provide full explanation with graphs.**

1. A good tends to have a small price elasticity of demand if
  - a. The good is a necessity.
  - b. There are many close substitutes.
  - c. The market is narrowly defined.
  - d. The long-run response is being measured.
  
2. An increase in a good's price reduces the total amount consumers spend on the good if the \_\_\_\_\_ elasticity of demand is \_\_\_\_\_ than one.
  - a. Income; less
  - b. Income; greater
  - c. Price; less
  - d. Price; greater
  
3. Because the demand curve for oil is \_\_\_\_\_ elastic in the long run, OPEC's reduction in the supply of oil had a \_\_\_\_\_ impact on the price in the long run than it did in the short run.
  - a. Less; smaller
  - b. Less; larger
  - c. more; smaller
  - d. more; larger
  
4. If the price elasticity of supply is zero, the supply curve is
  - a. Upward sloping
  - b. horizontal
  - c. vertical
  - d. fairly flat at low quantities but steeper at larger quantities
  
5. The price of good rises from \$16 to \$24, and the quantity supplied risen from 90 to 110 units. Calculated with the midpoint method, the price elasticity of supply is \_\_\_\_\_.

6. Suppose that business travelers and vacationers have the following demand for airline tickets from Chicago to Miami:

Price	Quantity Demanded (business travelers)	Quantity Demanded (vacationers)
\$150	2,100 tickets	1,000 tickets
200	2,000	800
250	1,900	600
300	1,800	400

As the price of tickets rises from \$200 to \$250, what is the price elasticity of demand for

i) business travelers \_\_\_\_\_

Use the midpoint method in your calculations

ii) vacationers \_\_\_\_\_

Use the midpoint method in your calculations