

Economics: supply and demand and cross elasticity

[Economics](#)



**ASSIGN
BUSTER**

If bus travel is an inferior good, then its income elasticity of demand will be negative. 10. When income changes, the quantity demanded for a commodity remains the same, the income elasticity of demand for the good is negative one. Economics: Supply and Demand and Cross Elasticity By Bonham 1 1 . The cross elasticity of demand for product X with respect to the price of product Y is 1. 00. It can be concluded that X and Y are complementary products. 12.

A positive income elasticity of demand coefficient indicates that a product is an inferior good. 13. A vertical supply curve may be described as perfectly price inelastic. 14. A supply curve that has a coefficient equal to zero is a vertical. 15. The main determinant of the price elasticity of supply of a product is the length of time sellers have to adjust to a change in price. 16. The supply curve for cars will be more elastic the longer the time interval considered. SECTION B 1. Answer 'Questions' exercise 3 of the textbook page 126. What are the major determinants of price elasticity of demand?

Use those determinants and your own reasoning in judging whether demand for each of the following products is probably elastic or inelastic: (a) bottled water, (b) toothpaste, (c) Crest toothpaste, (d) tomato sauce, (e) diamond bracelets, (f) Microsoft's Windows operating system. 2. Answer 'Questions' exercise 5 of the textbook page 126. Calculate total-revenue data from the demand schedule in question 2. Graph total revenue below your demand curve. Generalize about the relationship between price elasticity and total revenue. 3. Ammonia Spa & Resort tried to improve revenue by reducing its entrance ticket from \$40 to \$35 per head.