

# Economics essays examples

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## **Price Elasticity of demand of Marlboro**

The price elasticity of demand represents change in the quantity demanded as a result of 1% change in the price (Sivagnanam, and Srinivasan). The price elasticity of demand of Marlboro Cigarettes in the United Kingdom is analyzed from 2009-2014.

## **Price of Marlboro Cigarette in UK from 2009-2014**

(Source: Tobacco Manufacturer Association)

The table shows the retail price of a typical cigarette pack with 20 cigarettes and the tax imposed on each pack every year that increased price. The magnitude of change is, -0.40% from 2009-2014. In the United Kingdom, the price elasticity of demand of cigarettes ranges from -0.25 to -0.50 (Jamison, Breman, and et al.).

The demand of cigarettes is inelastic (Gallet, and List). If the consumers find that the price increase is too high due to increase in tax, they lower their consumption in the short run and continue to fulfill their addiction with the substitutes available (Barnett, Keeler, and Hu). So, there is no significant change in the magnitude of the consumer budget.

The consumers respond quickly to the price changes by switching to the substitutes. In five years from 2009-2014, the price of Marlboro continues to increase, so, people got enough time, and they have switched their taste and demand to the close substitutes available in the market at lower price.

## **References**

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