

Demand: Elasticity

Exercise 2-2

Reference Page 58-63; Economics, Boyes

1) Why is a demand curve downward sloping?

2) How does the principle of diminishing marginal utility relate to question 1 above?

3) Finish charting the effects of demand elasticity below:

Type of Elasticity	Change in Price	Change in Total Receipts	Movement of Price and Total Receipts
Elastic	↓	↑	Inverse/Opposite
Inelastic			
Unit Elastic			

4) Why is it important for businesses to understand elasticity?

5) Why is the demand for a product with many substitutes elastic?

6) List three examples of products or services that are so important that their use cannot be delayed or postponed. What type of demand elasticity are these products likely to have?

a) _____

b) _____

c) _____

7) List the three determinants of demand elasticity and describe their effects on the demand curve.

a) _____

b) _____

c) _____