

Using a simple version of our decision rule as a point of departure, demonstrate why a product demand line slopes down.	Product demand line slopes down because as price goes up for a product, you are still getting the same marginal utility from it. You are out of balance. To maximize marginal utility to become balanced again, you must consume less since it is an inverse relationship (so quantity demanded goes down). discourage people from consuming it. The government hopes that there will be an elastic change in response to a large increase in its price, drinking. This could lead to a reduction of drunk driving accidents and quantity demanded of hip hop records very significantly to a change in its own price (changes proportionally more than price). Inelastic: means not very responsive; when the quantity demanded of a good does not respond very significantly to change in its own price (changes proportionally less than price).
Identify what own price elasticity of demand measures.	More elastic=smaller slope (changes proportionately more than price) Inelastic=steep slope (changes proportionately less than price)
Define elastic and inelastic demand.	Elastic- oranges (when the price goes up, the quantity demanded drops); it is a luxury, people do not necessarily need oranges Inelastic- gasoline (when price goes up, quantity demanded remains relatively the same); it is a necessity, people need gas to run their car and get places
Contrast elastic and inelastic demand.	
Give examples of elastic and inelastic demand. Explain.	
Given two product demand graphs drawn on identical axes, identify which is a more elastic demand. (pg 70)	
Explain by own price elasticity is such a big deal in the world of policy.	Public and private firms need to know the elasticity of their products because it will determine how price changes will affect quantity demanded; they can then decide whether prices should increase, decrease or stay the same
Identify and explain a private policy case representing how a firm might use own price elasticity information.	A company that makes cars wants to know the elasticity of their product so they try increasing the price of their cars in a test market in Syracuse, New York. If the quantity demanded changes proportionally

Identify and explain a public policy case representing how a government agency might use own price elasticity information.	
Show graphically and describe the case of perfect elastic demand. (pg 71)	Horizontal demand line-you keep the price the same while quantity demanded goes up
Show graphically and describe the case of perfect inelastic demand. (pg 72)	Vertical demand line- allows you to raise the price without losing any quantity demanded
Identify which case, perfectly elastic or perfectly inelastic demand, you would wish for if you were going to sell a product—assume ceteris paribus. Explain.	You would want the demand to be perfectly inelastic because that would allow you to raise the price without losing any quantity demanded. The price could constantly be increased, thus increasing revenue.
Ceteris paribus, identify which kind of good would exhibit a more inelastic: a necessity or a luxury. Explain. Give and explain an example.	Elasticity is a luxury because people will only pay as much as they can for a product. Once the price gets too high, the person won't purchase it. Inelasticity is a necessity because people will pay for the product no matter the price—they need the good to live. For example, if someone needed a life-saving surgery, they will have it no matter the cost because it enables them to continue living.
Interpret the expression “price is no object” in economic terms.	This represents inelastic demand. If you need something to live, you are willing to pay whatever price you have to pay for it.
Explain how the number and quality of substitutes affects own price elasticity. Give and explain an example.	The more substitutes there are, the more flexible your choice set and the easier it is to switch away from a particular good as its own price goes up; a substitute is less attractive if it is not a good substitute. If there are many substitutes, the demand is

	elastic; when there are no reasonable substitutes it is inelastic. An example would be people using cars to get to work. If the price of gas goes up, people have other substitutes such as trains, buses, etc, making transportation elastic
Explain how the time frame affects own price elasticity. Give and explain an example.	When the time frame is short and a good is needed immediately, it is inelastic (because it is a necessity) When a good is not needed immediately, it is elastic. An example would be insulin for diabetes. It is needed immediately so that diabetics can live.
Explain how price of the good relative to a person's wealth and income affects own price elasticity. Give and explain an example.	A low income is inelastic because you can only afford necessities. A high income is elastic because you can afford luxuries. The lower a person's income, the less responsive they are to changes in price and the more inelastic demand will be. An example would be a middle class person could afford gum if it went up a few cents, while a child with a 10 cent allowance could not.
Identify four factors that determine the own price of elasticity of a good or service. Explain each.	<ol style="list-style-type: none"> 1) Necessity v luxury (elastic-luxury, inelastic-necessity) 2) # and quality of available substitutes (more substitutes, more elastic) 3) time frame (more time, more elastic) 4) Price relative to wealth and income (higher the income, more elastic)
Write out and explain the equation economists use to represent the measure of own price elasticity.	$E = \left \frac{\% \text{Quantity Change}}{\% \text{Own Price Change}} \right $ <ul style="list-style-type: none"> -Elastic: $E > 1$ (numerator is larger) -Inelastic: $E < 1$ (denominator is larger) -Perfectly inelastic: $E = 0$ (%change in quantity is 0) -Unitary elasticity: $E = 1$ (change in p = change in Q)
Explain why an absolute value sign is used in the own price elasticity equation.	The value will always be positive; this is because along a given demand line price moves inversely with quantity; this fraction is always negative
Explain why the equation uses percentage change rather than absolute change. Give an example.	Percentage changes gives a more accurate sense of the degree of change than an absolute measure does. For example, a change from \$1 to \$2 is the same in absolute change as a change from \$1,000,001 to \$1,000,002, while the two are different for