Wilf Csaplar Jr.   Economics 163   Homework #5   Due 10/13

Place your name on the back of this sheet of paper and nowhere else. Staple your answers on the front of this sheet of paper. Failure to follow these directions will cost you 1 point. Your assignment will be typed, except graphs can be drawn by hand and mathematical equations can be done by hand. Failure to type it will cost you 10 points. If you use double-sided printing or print on the back of scrap paper, I will give you one additional point.

Econ Club meets Thursdays at 11:00 in Morlan 103. You need not be a major in the department to attend. Attendance can help you with networking. That will help you meet upper-class students who can help you with courses and maybe with a job later.

1) (15 points each) Calculate the appropriate elasticity showing all work. Tell me which elasticity you are calculating and how you know which elasticity it is. What does that number tell us? How can you tell?
A) If the price of bananas is $1.00/lb you buy 2 lbs of cherries. If the price of bananas is $1.50/lb you buy 3 lbs of cherries. Use the point elasticity formula.
B) If your income is $40,000.00/year you buy 15 CDs. If your income is $60,000.00/year you buy 25 CDs. Use the arc elasticity formula.
C) If the price of corn is $0.50/ear, you grow 1000 ears. If the price of corn is $0.75/ear, you grow 2000 ears. Use the point elasticity formula.
D) If the price of peanut butter is $1.50/jar you buy 7 jars of jelly. If the price of peanut butter is $2.50/jar, you buy 3 jars of jelly. Use the arc elasticity formula.

2) (10 points each) For each of the following, give me an estimate of the elasticity. Explain why you chose that number.
A) Cross-price elasticity of bananas and pineapples.
B) Income elasticity of computers.
C) Elasticity of supply of mahogany.
D) Cross-price elasticity of gasoline and small cars.