

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.

1) (15 points each) Use the table to the right to answer this question.

A) Calculate the own-price elasticity of demand for apples using the point elasticity formula. Show all work and briefly explain how you chose which rows to use. What type of good are apples? How can you tell?

B) Calculate the income elasticity of demand for apples using the arc elasticity formula. Show all work and briefly explain how you chose which rows to use. What type of good are apples? How can you tell?

P_{apples}	P_{pears}	Income	Q_{apples}
\$10/lb	\$7/lb	\$8,000	25 lbs
\$10/lb	\$9/lb	\$12,000	25 lbs
\$10/lb	\$9/lb	\$8,000	15 lbs
\$5/lb	\$9/lb	\$12,000	30 lbs

2) (10 points each) For each of the elasticities listed below, tell me a number which you think would be a good estimate of that elasticity. Then explain how you chose that number.

- A) Own-price elasticity of demand for an iPod.
- B) Elasticity of supply for corn this year.
- C) Income elasticity of demand for laptop computers.

3) (25 points) Draw the supply and demand for rental housing. Place a price ceiling on the graph and show that the ceiling hurts the consumer. Explain your logic.

4) (15 points) Which is more elastic, the short-run demand for oil or the long-run demand for oil? Explain your logic.