

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) (20 points each) Use the table to the right to calculate the following elasticities using the method I request. In each case, only one pair of rows is able to be used. Explain how you knew which rows you could use. Write the formula and show all calculations. Given that elasticity, what can you tell about the demand for posters? Explain your logic.

P_{poster}	$P_{\text{art work}}$	Income	Q_{poster}
\$4/Q	\$5/Q	\$100	200
\$6/Q	\$7/Q	\$120	200
\$4/Q	\$7/Q	\$120	400
\$4/Q	\$5/Q	\$120	220

A) Own-price elasticity of demand for posters using the arc-elasticity formula

B) Income elasticity of posters using point formula

2) (10 points each) For each of the following, tell me a number you might expect the elasticity will be. Explain why you chose that number.

A) Income elasticity of music downloads

B) Own-price elasticity of hamburgers

C) Income elasticity of potato chips

D) Own-price elasticity of Coke

3) (20 points) Draw two individual demand curves. Draw the industry demand curve. Explain how you got the industry demand curve.