

Check Your**Understanding**

1. For which of the following products would demand be elastic? inelastic? State why in each case.
 - a) beef
 - b) steak
 - c) soft drinks
 - d) Coca-Cola
 - e) pencils
 - f) public transportation
 - g) haircuts
2. Suppose the prices of farm products rise. Explain whether farmers' incomes are likely to rise or fall.
3. Determine how each of the following price changes will affect the total revenues received by a seller. In other words, will they rise, fall, or stay the same?
 - a) Price falls and demand is elastic.
 - b) Price rises and demand is inelastic.
 - c) Price rises and demand is elastic.
 - d) Price falls and demand is inelastic.
 - e) Price rises and demand is unitary.
4. a) An economist estimates that the coefficient of elasticity of demand for a seller's product is 1.5. She advises the seller that he would benefit by lowering his selling price, if possible. Explain why this economist might make such a recommendation.
b) How would this economist's recommendation change if she estimates that the demand coefficient for the seller's product is 0.9?