Name ______________ Class ______________ Date ______________

CHAPTER 4
SECTION 3

ANALYZING CHARTS AND GRAPHS

Determining Elasticity 2

The law of demand states that if the price of a product goes up, people will buy less of it. A decrease in price results in people buying more of it. Businesses selling that product, however, want to know *how much* less people will buy if the price increases. Elasticity of demand measures how much buyers will change their quantity purchased because of an increase or decrease in the product's price.

Directions: Fill in the chart below with answers to the questions in Column 1 to determine whether the products have elastic or inelastic demand. (Generally, the answer *yes* means "elastic." The answer *no* means "inelastic.") Not all the answers have to match in order to determine elastic or inelastic demand for the product.

Factors / Products	Gasoline for your vehicle	Lobster for dinner	Medicine	Snowmobile
Is the product a luxury?	1a. no	2a.	3a.	4a.
Is a substitute available for this product?	1b.	2b. yes	3b.	4b.
Would buying the product take a large part of your income?	1c.	2c.	3c. no	4c.
Is demand for the product elastic or inelastic?	1d.	2d.	3d.	4d.

Question to Think About

5. Why do businesses want to know *how much* less you will buy if they increase the price for a product?

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