Engineering Microenconomics HW 5

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1. C
2. Elasticity is
$$\frac{\Delta Q/Q}{\Delta P/P} = \frac{10}{5} = 2$$

Demand is elastic because the elasticity is greater than 1.

3. Revenues would decrease, because price did not increase as much as the quantity decreased. Overall, revenue would decrease by about 5%.

4. E

5. D

6a. The supply would probably decrease (shift left), because it is now more expensive to purchase honey, so candle producers are likely to purchase less

6b. The supply would not change, since the demand does not shift

6c. The supply would not change. The quantity supplied would decrese, but the overall supply would stay the same

7. D

8. C

9. B

10. C