Answers to Questions for Review

4.1  (a) in most markets;
     (b) for inferior goods;
     (c) between complements;
     (d) in few if any markets (see the discussion in Chapter 3, page 42, about the law of supply).

4.2  (a) in no markets (see the discussion in Chapter 3, page 42, about the law of demand);
     (b) for normal goods;
     (c) between substitutes;
     (d) in most markets.

4.3  (a) Expenditure would be £100, £120, £120, and £100, so we would expect PED to be in turn inelastic, unit elastic, and elastic.
     (b) PED is respectively −0.75 (from a 50% fall in quantity and a 66⅔% rise in price), −1.0 (from a 40% fall in quantity and a 40% rise in price), and −1.33 (from a 66⅔% fall in quantity and a 50% rise in price).

4.4  One would expect a high PES for (a) petrol, because refineries are operating below capacity, and for (d) potatoes if producers have two years to respond, because they have ample time to grow more. One would expect a low PES for (b) gold jewellery, because it is hard to find more gold, and for (c) potatoes if producers have one week to respond, because they cannot grow any more in such a short time.
4.5 One would expect a high $PES$ for (b) HGV drivers, because many people could train to be one fairly quickly, and one would expect a low $PES$ for (a) footballers good enough to play in a team near the top of the premier division, because it is hard to find many more players who could acquire the necessary skills, no matter how hard they might train.