Quiz 4

1. Use the following information to develop an elasticity problem:

Period 1	Period 2
Px = 2.0	Px = 3.0
Qx = 1000	Qx = 750
Y = 20000	Y = 19000
Pz = 2.50	Pz = 4.00

2. Define Average and Marginal Physical Products of Labor

3. Define Marginal Costs

Answer Key

1. Three approaches to this problem. The student can calculate price elasticity of demand, income elasticity of demand, or cross-price elasticity of demand.

If the student calculates price elasticity: E = 0.715
If the student calculates income elasticity: E = 5.6
If the student calculates cross-price elasticity: E = .462

2. APP of labor = Q / L
   MPP of labor = change Q / change L

3. Marginal Costs = change TC / change Q or change TVC / change Q