Solutions

Each answer shows the steps, then the **result**.

2.1

- the responsiveness of quantity supplied to a change in price

2.2

- $\%\Delta Q = \frac{20}{50} = 40\%$; $\%\Delta P = \frac{4}{10} = 40\%$; $\text{PES} = \frac{40}{40} = 1$ (unit elastic)

2.3

- it makes supply more elastic

3.1 C

3.2 B

3.3

(a)

- elastic

(b)

- a longer time horizon or more spare capacity (any one)

(c)

- zero