

Chapter 4 Review

1. What 3 conditions must be present to create demand?
2. State the Law of demand?
3. Provide an example which explains the law of diminishing marginal utility.
4. Explain what causes a change in quantity demand.
5. Illustrate a change in quantity demand.
6. What is the Income Effect?
7. What is the Substitution Effect?
8. Explain what causes a change in demand (6).
9. Illustrate a change in demand.
10. For each of the conditions (6) that can cause a change in demand write an example of how each could cause an increase in demand.
11. What is demand elasticity?
12. What is inelastic demand?
13. Describe unit elastic demand and provide an example.
14. What are the 3 determinants of whether demand is elastic?
15. Provide 2 examples of products that are elastic.
16. Provide 3 examples of products that are inelastic.
17. How does elasticity and inelasticity relate to total expenditures?