**Research Paper**

**1. “The latest bubble to burst? Trucks and SUVs” by Jim Henry**

a. The demand for trucks and SUVs has changed due to gas prices, because SUVs and gas prices are complements and thus if the price of one goes up then the demand for the other will go down. This is due to the fact that you need gas to operate your truck or SUV and if gas is too expensive then people will try and not buy those types of vehicles.

b. Trucks and SUVs are considered in this instance as basically the same item and since the cost to operate them is going up due to gas the demand for these goods are going to drop significantly due to the elasticity concept.

c. Since the dealerships are not selling as many new cars, the prices of the used cars will increase and their availability will decrease due to the higher demand of these types of cars. This is due to the lack of demand in the new car market.

d. Cross-price elasticity for this example is the change in price of one good changes then it shows the relationship between the two. It would be the percent change in demand for trucks/SUVs divided by the percent change in price of gas, and it will end up to be a negative number because they are complements. Income elasticity is the responsiveness of demand of one good to change by the income of the people who will buy it. So if the incomes of the people who will buy trucks/SUVs goes down so will the demand of these goods, but as the income goes up the demand will follow. Trucks and SUVs are an example of a normal good so the income elasticity will be positive.

**2. “Dumping your gas hog?” by Scott Burns**

a. In the short term consumers respond to the increase in gas prices by not driving as much and trying to combine trips so that they can reduce the amount of gas used.

b. In the long term consumers will attempt to change to a vehicle that has more miles per gallon, attempt to drive only for necessary reasons, and to try and make it possible to not have to commute every day.

c. Own price elasticity is the response of demand to the change of price in that good. In this instance the increased price of gas is going to decrease the demand, and this is the same for almost all goods.

d. Gas is inelastic for some people because they need to have the same quantity no matter the price due to such things as having to commute every day to work or other things that are mandatory for them to drive to.

**4. The Mass Rapid Transit (MRT)**

a. The estimated priced elasticity of demand for the MRT is .4, due to the percentage change of quantity is %20 and the change in price is %50.

b. The price elasticity of the MRT is inelastic which would suggest that if you increased the price then your revenue will increase, due to the demand being less responsive to the change in price.

c. This fare increase will not resolve the deficit as well as the officials believe because it will only change revenue from 40k to 48k and thus an 8k increase. If the MRT was losing 50k a day with a 40k revenue then we can believe that they will lose approximately 42k instead, and that is still a heavy deficit.