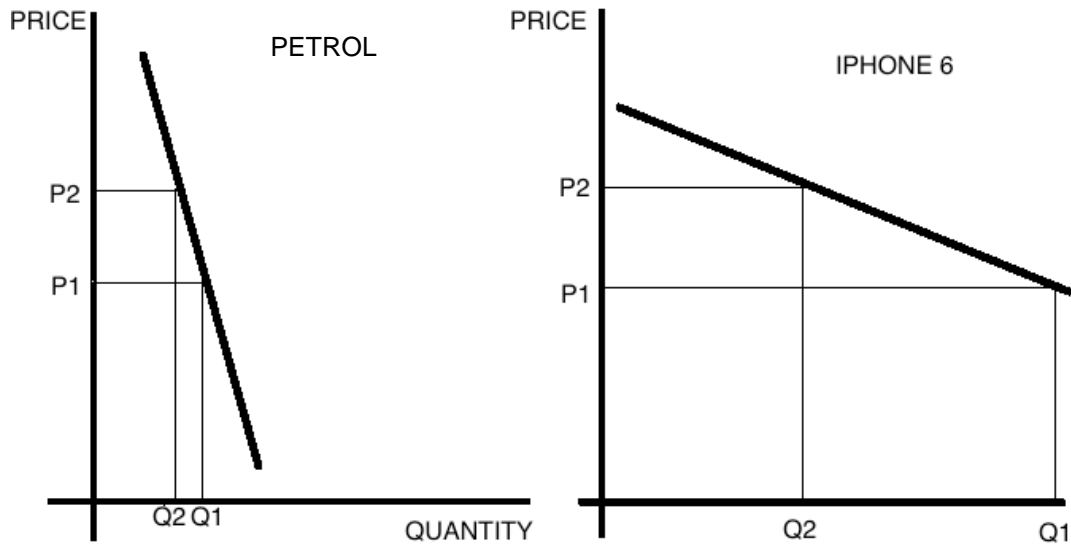


Sample Question

We assume that the demand for a good decreases as its price increases: consumers like low prices and dislike high prices.

Below are shown the demand curves for two different goods – petrol and the iPhone 6:



- Which demand curve is more responsive to the given change in price, P1 to P2? Why might this be?
- What do you think will happen to the demand curve for petrol over the long run? That is, do you think it will be more or less responsive to changes in price than it is in the short run?