Teacher Answer Key

Case Study

1. Time horizon (allowed commuters to explore alternatives) and availability of substitutes (transit passes) drove elasticity upward.

2. Discounted passes reduced the out-of-pocket cost of transit, making bus travel a more attractive alternative to driving.

Multiple Choice

1. D

2. C

3. A

Matching

1-E, 2-D, 3-A, 4-C, 5-B

Fill-in-the-Blank

1) $\%\Delta Q$, $\%\Delta P$, 2) elastic, 3) availability

Short Answer (Sample Responses)

Q1: Over time, commuters adjusted habits and adopted public transit, making demand more sensitive to price.

Q2: When a purchase takes a large share of income, consumers weigh price changes more heavily and adjust usage accordingly.

Q3: Elastic demand changes proportionally more than price (elasticity > 1), while inelastic demand changes proportionally less than price (elasticity < 1).