

Elasticity Worksheet

Previous Topics Connected: Supply and Demand, Opportunity Cost, Incentive, Rationality

Future Topics Foreshadowed: Sunk Cost¹

News Article: “Massive response to sale prompts Build-A-Bear to shut down lines, offer vouchers”

Link: <https://mru.io/build6362c>

Description: Build-A-Bear announced an event where customers who show up to their stores can pay their current age for the popular stuffed animals. The stores experienced an overwhelming response to the reduction in price.

Resource Type: Collection of Multiple Choice Questions

Assumptions: This resource assumes the students are familiar with the economics information up through the elasticity chapter as some questions are based off of information not included in the article.

Learning Objectives:

These questions intend to have students:

1. Comprehend a news article.
2. Translate unpredicted responses in price changes to elasticity of demand.
3. Understand the relationship between elasticity and revenue.
4. Relate waiting in line for a product to opportunity cost.
5. Differentiate between a change in supply/demand vs a change in quantity supplied/quantity demanded.
6. Recognize the connection between rationality and sunk cost.

Economics Vocabulary Used:

demand, supply, elastic, inelastic, the law of demand, the law of supply, opportunity cost, incentive, rational, irrational, inventory, profit, revenue, prices

¹ Instructors teach sunk cost at many different times throughout the semester. It is possible at this point students already understand sunk costs and thus this would be a previous topic.

Questions based off reading:

These questions should be used if assessing whether or not your students completed the reading and not if they connected the material back to economics. Correct answers are in **bold**.

1. Which of the following statements best describes the Build-A-Bear sale structure?

- a. Customers who waited in line were given 50% off their entire purchase.
- b. Customers were able to pay their current age for a stuffed animal.**
- c. Customers were given a Build-A-Bear bag and were charged \$20 for whatever they could fit in the bag.
- d. Customers received the employee discount for an entire day.
- e. None of the above.

2. Why did Build-A-Bear announce on their Facebook page that it was cutting off lines and no longer accepting more customers?

- a. Due to crowds and safety concerns.**
- b. Due to unexpected financial losses.
- c. Due to customer riots.
- d. Due to low inventory.

3. Which social media platform did CNN embed into their story?

- a. Facebook.
- b. Twitter.
- c. SnapChat.
- d. Instagram.**

Questions connected to economics:

These questions should be used if getting students to connect the article back to economics. Correct answers are in **bold**.

1. In a statement about the event, Build-A-Bear said, “Based on the information available to us before the day began, we could not have predicted this unprecedented reaction to our Pay Your Age Day event,” calling the response to the sale “massive” and “overwhelming.” According to this statement we can assume that:

- a. Demand was more inelastic than Build-A-Bear predicted.
- b. Demand was more elastic than Build-A-Bear predicted.**
- c. Profits for the store increased.
- d. Profits for the store decreased.

e. None of the above.

2. With long lines and hundreds of customers, Build-A-Bear clearly saw their revenues increase when they lowered their prices. Therefore we would consider the demand for Build-A-Bears elastic.

a. True.

b. False.

3. CNN interviewed multiple people for this article who waited in line for hours to get access to this sale. Which economic concept have we already discussed that these customers may not be aware of?

a. The Law of Demand.

b. Incentives.

c. Opportunity Cost.

d. The Law of Supply.

4. Holding all else constant and ignoring the press coverage gained by the sale, a lowering of prices by Build-A-Bear caused a(n)

a. Increase in demand.

b. Decrease in demand.

c. Increase in supply.

d. Decrease in supply.

e. None of the above.

5. Some customers realized that continuing to wait in line was not worth the lower-priced bear but decided to stay because of the time already spent in line. Economists would consider their decision to stay as

a. Rational.

b. Irrational.