**Price Elasticity of Supply – Worksheet 2**

*The capacity at the Madejski Stadium is 24,161. There is a fixed supply of seats. If demand for a particularly match is very high (in excess of 24,161) Reading FC cannot simply install additional seats in the short-term to cover the demand. The supply is therefore fixed. In the long run the owners could expand the existing stadium and increase the number of seats, or build a completely new stadium, which they did in 1998.*

1. On the axes below - draw and label a diagram showing the fixed supply of seats at the Madejski Stadium. Label it as S1.

1. John Madejski has planning permission to expand the stadium to around 36,900 seats (below). Draw a new supply curve (labelled S2) to demonstrate the outcome of such an expansion.



1. Explain what is meant by **short-run** and **long-run** in Economics:

1. What is it about the Madejski Stadium that causes supply to be fixed in the short-run?

5) Draw how the think the supply curve for the Madejski stadium would look in the long-run:

1. Average house prices in an area have increased from £145,000 to £170,000 and supply increases from 40,000 to 44,000. PES is:

1. With reference to the factors that we discussed previously; briefly explain two reasons why the PES value for housing (from the previous question) does not come as a surprise.

For each of the following goods, identify the arguments for being inelastic/elastic or elements of both.

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| --- | --- | --- |
| **Good** | **Inelastic/Elastic?** | **Justification for your answer (which factors impact this good)** |
| Milk |  |  |
| Wheat |  |  |
| Gold |  |  |