Consider the market for burritos in Ames, IA. Working together as a group, answer each of the following questions. Someone in your group should type up your answers on a laptop so that you can email me your answers during class. (Send them in a word document to themattsimpson@gmail.com)

1. What is everyone’s favorite burrito place in Ames? E.g. Chipotle, Fighting Burrito, Panchero’s, Mr. Burrito, and probably others. (Don’t spend too much time on this question!!)

2. Do you think burritos are an inferior, normal, or luxury good? Why?

3. Think about what happens to the population of Ames during the summer. What does economic theory suggest should happen to the supply of burritos? Why? What actually happens to the supply of burritos? How could we modify our theory in order to make it more consistent with what actually happens?

4. Suppose that all of the restaurants that sell burgers in Ames cut the price of their burgers by 10%. How do you think this will affect the demand for burritos in Ames? Why?

5. Do you think that the demand for burritos is elastic or inelastic? Why?

6. One problem with thinking about the market for burritos is that we treat a Chipotle burrito and a Panchero’s burrito as the same thing, but clearly they’re not. How does this impact the own-price elasticity of demand for a single restaurant’s burritos (i.e. Chipotle’s burritos)? (Hint: if all burritos are the same, what happens if Chipotle raises the price of their burritos by $1? What happens if everyone’s burrito is different?)

7. Can you think of any other problems we might have with assuming that all burritos are identical?