

Contents

Elasticity Question	1
Question	1

Elasticity Question

The Monopolies and Mergers Commission conducted a survey amongst holidaymakers which asked them whether they would change to a holiday in the UK if the price of foreign package holidays rose by 5%. The results indicated that 25% of holidaymakers would switch to a UK holiday if the price foreign package holidays rose by 5%.

Question

1. Calculate the price elasticity of demand for foreign package holidays. Comment on your calculation.
2. Why might this survey be misleading?
3. How might the major tour companies view the survey results?