Topic 11

1- A demand curve for insulin is likely to be very inelastic

2- If the price elasticity of demand is greater than 0 and less than 1, ignoring the minus sign, demand is said to be inelastic

3- Other thing being equal, an increase in the availability of subtitutes increases the price elasticity of demand

4- The demand for automobiles is elastic other things being equal, if the prices of automobils declines, total revenue from the sale of automobiles will increase.

Problem 1:

A 10% price decrease → quantity demanded increase by 30%

Since demand is elastic, total revenue increase

Elasticity = -3

Problem 2

To increase quantity demanded by 15%, the price must fall by 30%.

Since demand is inelastic, total consumer expenditure decrease.

Elasticity = - 0,5