

1.8 — Price Elasticity — Practice Problems

ECON 306 - Fall 2020

Wednesday, September 9, 2020

The demand for monthly cell phone plans is given by:

$$q_D = 50 - 0.5p$$

1. Write the *inverse* demand function.
2. Calculate the price elasticity of demand when the price is \$10. Is this relatively elastic or inelastic?
3. Calculate the price elasticity of demand when the price is \$70. Is this relatively elastic or inelastic?
4. At what price is demand unit elastic ($\epsilon = -1$)?
5. Calculate the total revenue at \$10.
6. Calculate the total revenue at \$70.
7. Calculate the total revenue at the price you found for question 4.