

# [Econ discussion](https://assignbuster.com/econ-discussion/)

[Literature](https://assignbuster.com/essay-subjects/literature/), [Russian Literature](https://assignbuster.com/essay-subjects/literature/russian-literature/)

Discussion Assignment a. Revenue, R = Price, P \* Quantity demanded, Q (Stock 66). $15 \* 100 500 b. The new total revenue from the revenue formula above gives:
$ 22. 50 \* 90
= $ 2, 025
Elasticity coefficient, Ed = % change in quantity demanded/% change in price (Stock 69).
= 10%/50%
= 0. 2
Since Ed = 0. 2 < 1, the demand is inelastic.
c. The new total revenue earned = $ 22. 50 \* 40
= $ 900
Ed = 60%/50%
= 1. 2
Since Ed = 1. 2 > 1, the demand is elastic.
d. Substitutability is another factor other than price that could influence the elasticity of demand for animals from the animal shelter. According to Stock (77), the greater the number of available substitute goods, the greater the elasticity. Thus, the more substitutable the animals from the animal shelter are, the more the elastic demand while the lesser the substitutability of these animals from the animal shelter, the lesser the demand would be elastic.
2. When demand is elastic, price and total revenue relate inversely. As such, when the prices rise, the total revenue falls. When demand is inelastic, price and total revenue relate directly. Hence, when the price rises, the total revenue also rises.
3.
a. Incorrect. With a decrease in supply, demand increases ceteris paribus. This means that demand is elastic and not perfectly inelastic.
b. Incorrect. With a decrease in supply, demand increases ceteris paribus. This means that demand is elastic and not relatively inelastic.
c. Correct. With a decrease in supply, demand increases ceteris paribus. This means that demand could be relatively elastic.
d. Correct. With a decrease in supply, demand increases ceteris paribus. This means that demand could be perfectly elastic, that is, the demand increases at the same time that supply decreases.
Work Cited
Stock, W. A. Introduction to Economics: Social Issues and Economic Thinking. Hoboken, NJ: John Wiley & Sons, 2012. Print.