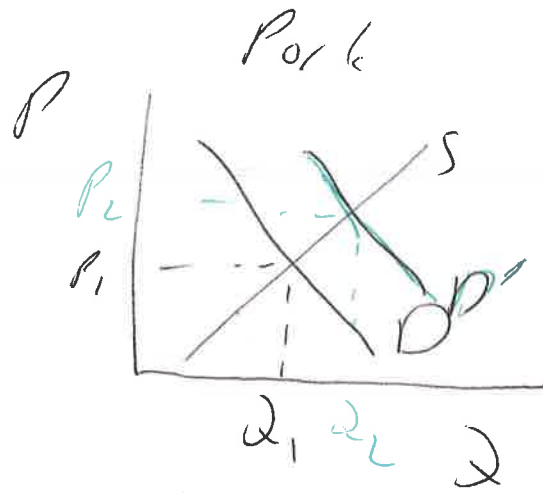
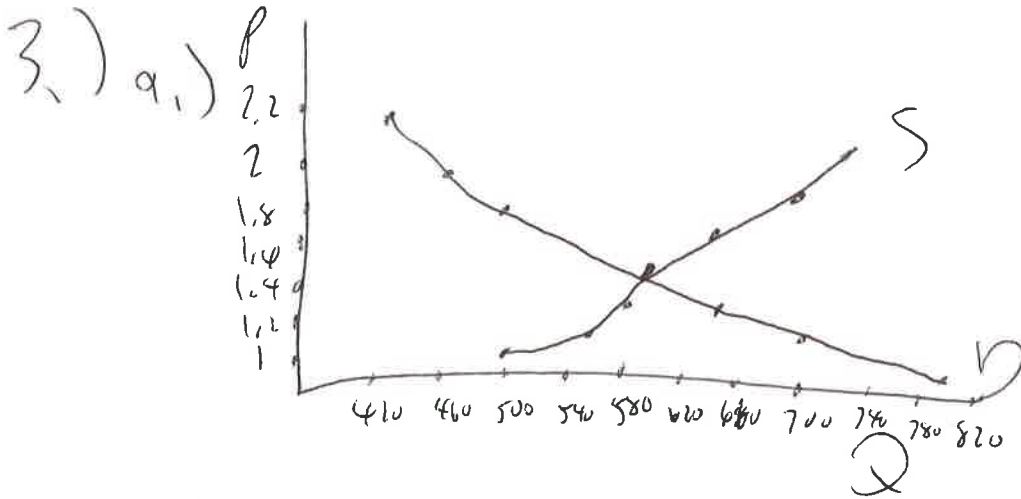


$P_{Beef} \uparrow$ $Q_{Beef} \downarrow$



$P_{Pork} \uparrow$ $Q_{Pork} \uparrow$



b.) $P^* = 1.60$ $Q^* = 600$

c.) $P^* = 1.40$ $Q^* = 630$

4.) $PE_D = \frac{\% \Delta Q}{\% \Delta P} = \frac{12}{8} = \frac{3}{2} = 1.5$
Elastic

5.) $\% \Delta Q = \frac{1500 - 1000}{1250} = \frac{500}{1250} = \frac{1}{2.5}$
 $\% \Delta P = \frac{1.00 - 1.50}{1.25} = \frac{-0.50}{1.25} = \left(\frac{1}{2.5} \right)$

$PE_D = \frac{\frac{1}{2.5}}{\frac{1}{2.5}} = 1$
Unit Elastic

- 5.) The quantity of a good demanded rises from 1000 to 1500 units when the price falls from \$1.50 to \$1.00 per unit. What is the price elasticity of demand for this product?
- 6.) If the elasticity of demand for a product is estimated to be 1.5, then a decrease in price from \$2.10 to \$1.90 would be expected to increase daily sales by how much?

$$\frac{\% \Delta Q}{\% \Delta P} = 1.5$$

$$\% \Delta Q = 1.5 \% \Delta P$$

$$\frac{(1.90 - 2.10)}{2} = \frac{-0.2}{2} = -0.1$$

$$\% \Delta Q = 1.5 (-0.1)$$

$$\% \Delta Q = -0.15\%$$

2.10 to 1.90 would increase sales

by 0.15%.

