

Homework Assignment #2: Elasticity

Name:

1. Define elasticity. How does it relate to maximizing revenue?
2. Draw a demand curve using the equation $Q=30-2P$. Label the point **on** the curve where $P=10$ "A" and the point where $P=6$ "B". What is the numerical elasticity at point A? Is it elastic, inelastic, or unit elastic? How about for point B?
3. Draw a demand curve using the equation $Q=75-P$. Label the point **on** the curve where $P=35$ "A" and the point where $P=15$ "B". What is the numerical elasticity at point A? Is it elastic, inelastic, or unit elastic? How about for point B?
4. What does income elasticity mean? Give a hypothetical example.
5. What is the cross-price elasticity for complements? For substitutes? Explain.