Case Studies – Inelastic and Elastic Demand

Case #1

Javier currently sells 100 basketballs a week at a price of $20 each. His total revenue (price × quantity) per week is $2,000. Suppose Javier raises the price of his basketballs to $22 each, a 10 percent increase in price. As a result, the quantity demanded falls from 100 to 75, a 25 percent reduction.

Questions:

1. Is this inelastic or elastic demand? Why?
2. What is Javier’s new total revenue?

Notes:

Case #2

Javier lowers the price of his basketballs from $20 to $18, a 10 percent reduction in price. Suppose quantity demanded rises from 100 to 130, a 30 percent increase.

1. Is this inelastic or elastic demand? Why?
2. What is Javier’s new total revenue?

Notes:

Case #3

Suppose Javier raises the price of his basketballs to $22 each, a 10 percent increase in price. Suppose the quantity demanded falls from 100 to 95, a 5 percent reduction.

1. Is this inelastic or elastic demand? Why?
2. What is Javier’s new total revenue?

Notes:

Case #4

Javier now lowers the price of his basketballs from $20 to $18, a 10 percent reduction in price. Suppose quantity demanded rises from 100 to 105, a 5 percent increase.

1. Is this inelastic or elastic demand? Why?
2. What is Javier’s new total revenue?

Notes: