

Answer on the Question #72492, Economics / Microeconomics

If the price declines from \$400 to \$300 and as a result quantity demand increases from 1100 to 1400, elasticity of demand is

The formula used to calculate the price elasticity of demand is:

$$\text{Arc elasticity of demand (PED)} = \frac{Q2-Q1/\text{midpoint } Q}{P2-P1/\text{midpoint } P}$$

$$E = (1400-1100)/(1400+1100)*0,5 : (300-400)/(300+400)*0,5 = 0,24 : (-0,29) = -0,83, \text{ so the demand is inelastic}$$

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