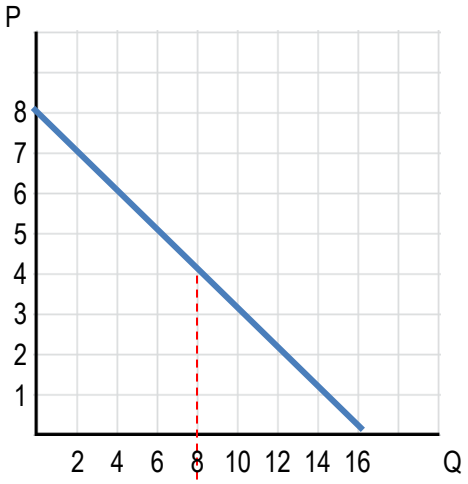
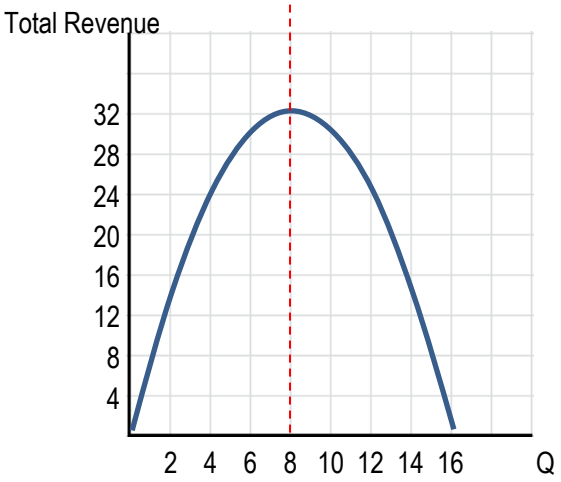
CONCEPT: TOTAL REVENUE ALONG A LINEAR DEMAND CURVE

- Slope is constant along a linear demand curve, elasticity is not constant.
  - □ Slope → Ratio of changes in two variables
  - □ Elasticity → Ratio of percentage changes in two variables

Price Change	Unit Change	Percentage Change
$1 → $2		
$2 → $3		





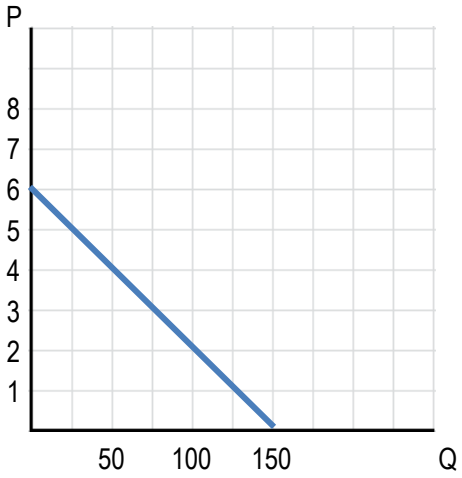
Price	Quantity Demanded	Total Revenue
8	0	
7	2	
6	4	
5	6	
4	8	
3	10	
2	12	
1	14	
0	16	

□ Demand is elastic to the _____ of the middle of the line.

□ Demand is unit-elastic _____ the middle of the line.

□ Demand is inelastic to the _____ of the middle of the line.

PRACTICE: Use this graph to answer the following questions.



What is the elasticity of demand when the price of the good changes from $3 to $5?

a) 0.25
b) 0.50
c) 1.00
d) 2.00

At what price is the elasticity of demand for the product equal to one?

a) $2
b) $3
c) $4
d) $5

At what price is revenue maximized?

a) $2
b) $3
c) $4
d) $5