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Employment:
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2012-2014 Lecturer, School of Economics and Finance, University of Hong Kong.
2006-2012 Instructor, Department of Economics, CUHK – Hong Kong.

Education:
2003-2007 Ph.D. (Business) Indiana University – Bloomington.
1987-1991 BS.Sc. (Economics) Chinese University of Hong Kong – Hong Kong.

Research paper:
Chung, Barick, "Two Level Price Discrimination and Vertical Relationship" (March 05, 2012). Available at SSRN: http://ssrn.com/abstract=1997070.

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ECO 2011 (Sections L07-10) Basic Microeconomics

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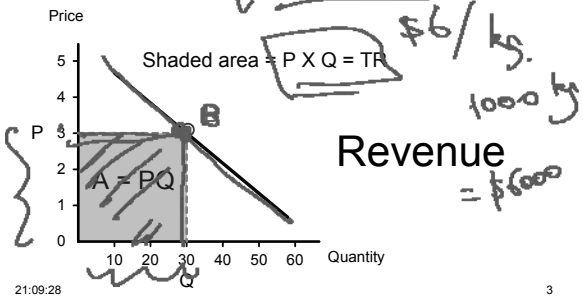
Total revenue (TR = P × Q) is the amount paid by buyers and received by sellers of a good, computed as the price of the good times the quantity sold.

TR = P × Q

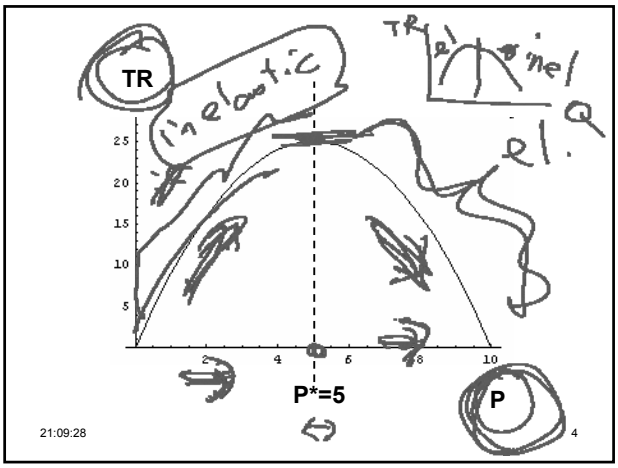
$6/kg.

1000 kg

= $6000



Revenue



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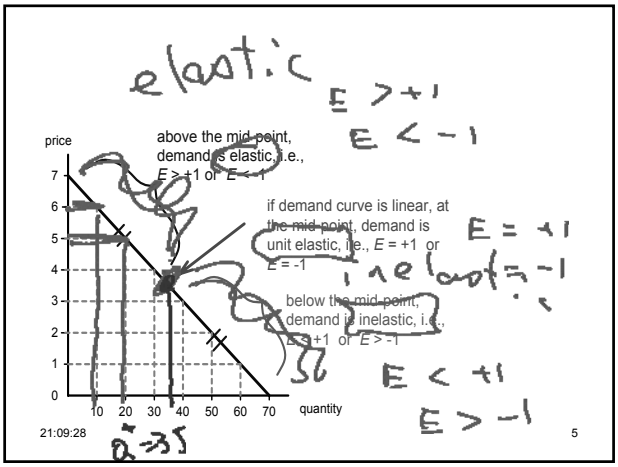

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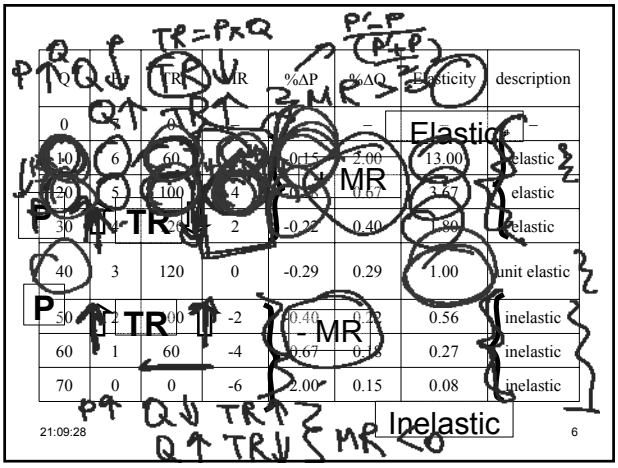

Q	P	TR	MR	%ΔP	%ΔQ	Elasticity	description
0	7	0	–	–	–	–	–
10	6	60	6	-0.15	2.00	13.00	elastic
20	5	100	4	-0.18	0.67	3.67	elastic
30	4	120	2	-0.22	0.40	1.80	elastic
40	3	120	0	-0.29	0.29	1.00	unit elastic
50	2	100	-2	-0.40	0.22	0.56	inelastic
60	1	60	-4	-0.67	0.15	0.27	inelastic
70	0	0	-6	-2.00	0.15	0.08	inelastic

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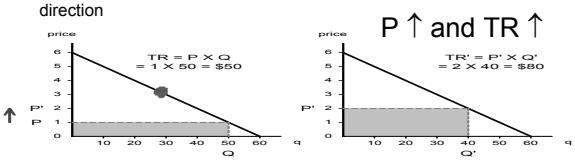
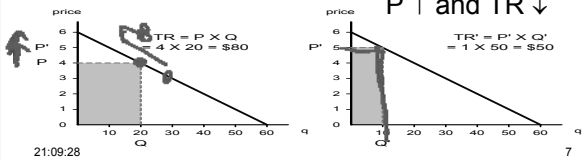
Case (i): when demand is inelastic: price and TR move in the same direction

P ↑ and TR ↑



Case (ii): when demand is elastic: price and TR move in the opposite direction

P ↑ and TR ↓



Mankiw, Gregory, *Essentials of Economics*, 2012, p. 96:

(i) If demand is inelastic, price and TR move in the same direction;

(ii) If demand is elastic, price and TR move in the opposite directions;

(iii) If demand is unit elastic, TR remains constant when the price changes

Example 4.6.
Price Elasticity Estimates for Selected Products

Good or service	Price elasticity
Green peas	-2.8
Restaurant meals	-1.63
Automobiles	-1.35
Electricity	-1.2
Beer	-1.19
Movies	-0.87
Air travel (foreign)	-0.77
Shoes	-0.7
Coffee	-0.25
Theater, opera	-0.18

Estimates

Mankiw, Gregory, *Essentials of Economics*, 2012, pp.90-91:

Determinants of Price Elasticity of Demand:

1) Availability of **close substitutes**

2) **Necessities** (inelastic) versus **luxuries** (elastic)

3) **Definition of market** (narrowly defined market tend to have more elastic demand than broadly defined markets)

4) **Time horizon** (demands are more elastic over longer time horizons)

1) Availability of close substitutes

Mankiw, Gregory, *Essentials of Economics*, 2012, p. 90:

Goods with **close substitutes** tend to have more elastic demand because it is easier for consumers to switch from that good to others.

2) Necessities versus luxuries

Mankiw, Gregory, *Essentials of Economics*, 2009, p. 90:

Necessities tend to have inelastic demands, whereas luxuries have elastic demands.

"When the price of doctor's visit rises, people will not dramatically reduce the number of times they go to a doctor"

"When the price of sailboats rises, the quantity of sailboats demanded falls substantially"

Necessity good
https://en.wikipedia.org/wiki/Necessity_good
Accessed 20211014
… Necessity goods are product(s) and services that consumers will buy **regardless of the changes in their income levels**, therefore making these products less sensitive to income change. Examples include … tobacco, … electricity and water, and critical medicine such as insulin. …

Luxury goods
https://en.wikipedia.org/wiki/Luxury_goods
Accessed 20211014
Luxury goods have **high income elasticity of demand**: as people become wealthier, they will buy proportionately more luxury goods. This also means, however, that should there be a decline in income its demand will drop more than proportionately. …

3) Definition of the market

Mankiw, Gregory, *Essentials of Economics*, 2012, p.90:

Narrowly defined markets tend to have more elastic demand than broadly defined markets because it is easier to find **close substitutes** for narrowly defined goods.

Mankiw, Gregory, *Essentials of Economics*, 2012, p.90:

For example, food, a broad category, has a fairly inelastic demand because there are **no good substitutes** for food. Ice cream, a narrower category, has a more elastic demand because it is easy to **substitute** other desserts for ice cream.

4) Time horizon

Mankiw, Gregory, *Essentials of Economics*, 2012, p. 90:

Goods tend to have more elastic demand over longer time horizons.

The end