

(2019 E2 Q5) Keeley is a Vice-President of Sales for a major consumer goods company and she tells her staff, "We are fortunate; there are very few substitutes for our product; demand is inelastic. Unlike firms that face a lot of competition, we have lots of discretion in setting our prices." Raed, a junior member of her staff responds, "But wouldn't we want to set our price in the elastic portion of the demand curve?"

Use your knowledge of economic theory to clarify what is being said here.