Problem 1

A monopoly faces a demand with a constant elasticity of -4.
The price of its product is 150.

a) What are monopoly's marginal costs at the current output?
b) Can we say what would happen to the price of monopoly if the elasticity changed to -3? Can we say what would happen to the markup above marginal costs?

Problem 2

A train operator has a monopoly on a track from A to B.
The elasticity of demand at the current price is -0.8.

a) Does the monopoly maximize profit?
b) Is it possible that the monopoly maximizes profit if it has a quantity subsidy?

Problem 3

The price of a drug increases after its patent expires and generic equivalent enter the market.

Can you explain this using price elasticity?