

Elasticity

Demand and Supply Elasticity measures a buyers or sellers' response to changes in prices. Changes in 'income' or the 'price of a related' good are also used for Demand Elasticity. Income elasticity shows whether a good is normal or inferior. X-Price Elasticity shows whether a good is a complement or substitute.

The **price elasticity of demand** is given by the formula:

$$\text{price elasticity of demand} = \frac{\text{percentage change in quantity demanded}}{\text{percentage change in price}}$$

The **price elasticity of supply** is given by a similar formula:

$$\text{price elasticity of supply} = \frac{\text{percentage change in quantity supplied}}{\text{percentage change in price}}$$

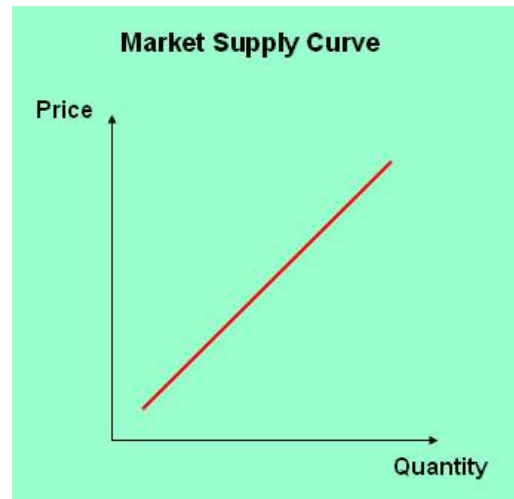
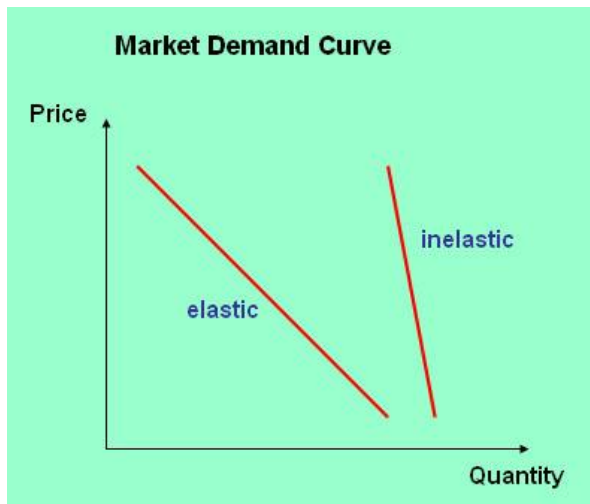
The **income elasticity of demand** is given by the formula:

$$\text{income elasticity of demand} = \frac{\text{percentage change in quantity demanded}}{\text{percentage change in income}}$$

Cross-price elasticity of demand. The **cross-price elasticity of demand** is the ratio of the percentage change in the quantity demanded of some good X to a percentage change in the *price of some other good Y*. The cross-price elasticity of demand is given by the formula:

$$\text{cross-price elasticity of demand} = \frac{\text{percentage change in quantity demanded of good X}}{\text{percentage change in price of some other good Y}}$$

ELASTIC OR INELASTIC



Is this Supply curve more *elastic* or *inelastic*?
Or is it *unit elastic*?

Different points on the same curve can have different elasticity values

