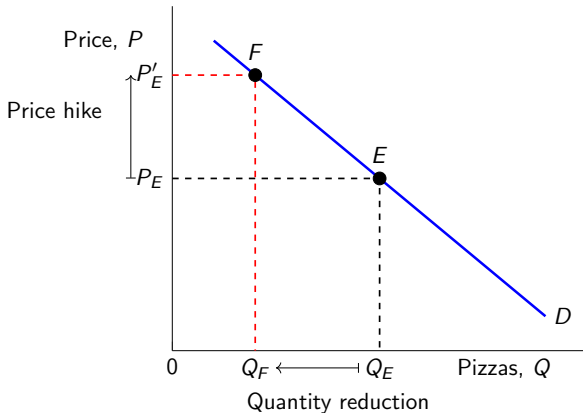


Introduction to Microeconomics

Elasticity

Ishmam Al Quddus

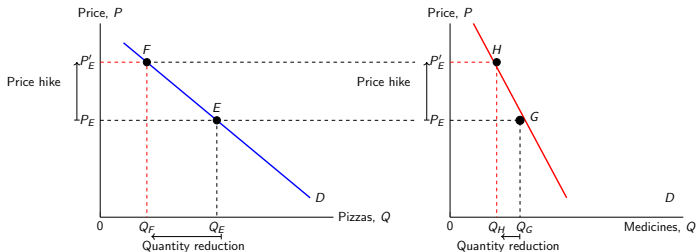
- Law of Supply and Demand [$P \uparrow \longrightarrow Q_d \downarrow, Q_s \uparrow$]
- Suppose, you want to buy pizzas. (looking into demand side here)



Elasticity

- Direction vs. Scale: We know the direction of change but we do not know the scale or size of the change
- Elasticity is the measure of responsiveness of quantity demand and quantity supply to a change in one of its determinants. With elasticity, we can assess how strong the relationship between the variables is; in other words, we can measure the change in quantity demand or supply with an additional change in price.
- We will discuss the different types of elasticity and the associated factors.

Responsiveness to price change



- Note: the reduction is not the same although the price change is same
- Necessary goods tend to be inelastic
- Higher elasticity \rightarrow Flatter Curve
- Higher inelasticity \rightarrow Steeper Curve

Elasticity

