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2014-present Senior Lecturer, Department of Economics, CUSZ – Shenzhen.
2012-2014 Lecturer, School of Economics and Finance, University of Hong Kong.
2006-2012 Instructor, Department of Economics, CUHK – Hong Kong.

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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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20:14:44

1

ECO 2011 (Sections L07-10) Basic Microeconomics

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20:14:44

2

Elasticity

20:14:44

3



Pindyck and Rubinfeld, 2013, p.33:

Elasticity is the percentage change that will occur in one variable [Y] resulting from a 1-percent increase in another [X].

$$E = \frac{\% \Delta Y}{\% \Delta X} = \frac{\frac{\Delta Y}{Y}}{\frac{\Delta X}{X}} = \frac{X}{Y} \times \frac{1}{\frac{\Delta X}{\Delta Y}}$$

Handwritten: { X, Y }
Measuring sensitivity

20:14:44

4



Pindyck and Rubinfeld, 2013, p.33:

Price elasticity of demand is the percentage change in quantity demanded (Q) of a good resulting from a 1-percent increase in its price (P).

$$E_p = \frac{\% \Delta Q}{\% \Delta P} = \frac{\frac{\Delta Q}{Q}}{\frac{\Delta P}{P}} = \frac{P}{Q} \times \frac{1}{\frac{\Delta P}{\Delta Q}}$$

20:14:44

5

Example #1:

Handwritten: $E_p = \frac{\% \text{ change in quantity demanded}}{\% \text{ change in price}}$

Suppose that the price of banana increases by 1% and the quantity demanded falls by 3.5%

Handwritten: $E_p = \frac{-3.5\%}{1\%} = -3.5$



20:14:44

6

Example #1:

$$E_p = \frac{\% \text{ change in quantity demanded}}{\% \text{ change in price}}$$

Suppose that the price of beer increases by 10% and the quantity demanded falls by 20%

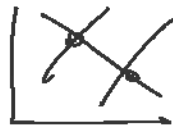
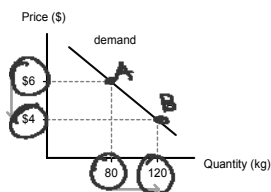
$$E_p = \frac{-20\%}{10\%} = -2$$

-20%
10%

20:14:44

7

Example #3:

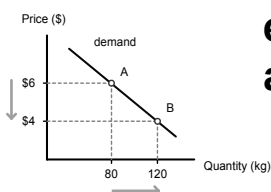


$$E_p = \frac{\% \Delta Q}{\% \Delta P} = \frac{\frac{120kg - 80kg}{80kg}}{\frac{\$4 - \$6}{\$6}} = \frac{0.5}{-0.33} = -1.5$$

20:14:44

8

Example #5:

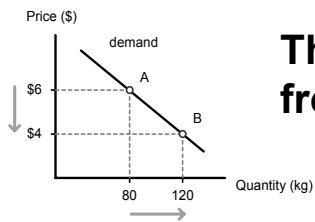


Price elasticity over a portion

$$E_p = \frac{\% \Delta Q}{\% \Delta P} = \frac{\frac{120kg - 80kg}{80kg}}{\frac{\$4 - \$6}{\$6}} = \frac{0.5}{-0.33} = -1.5$$

20:14:44

9



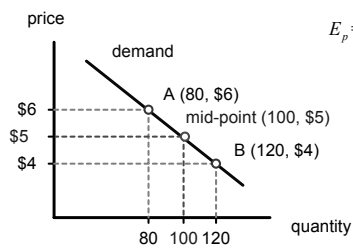
The change is from A to B

$$E_p = \frac{\% \Delta Q}{\% \Delta P} = \frac{\frac{120\text{kg} - 80\text{kg}}{80\text{kg}}}{\frac{\$4 - \$6}{\$6}} = \frac{0.5}{-0.33} = -1.5$$

20:14:44

10

Mid-point method



$$E_p = \frac{\left(\frac{Q^B - Q^A}{\frac{Q^B + Q^A}{2}} \right)}{\left(\frac{P^B - P^A}{\frac{P^B + P^A}{2}} \right)} = \frac{\frac{Q^B - Q^A}{\bar{Q}}}{\frac{P^B - P^A}{\bar{P}}}$$

20:14:44

11
