## Elasticity Cont.

1. Price Elasticity of Supply
   1. Cs = %DeltaQ/%DeltaP
   2. Time is a huge determining factor
2. Income Elasticity
   1. How responsive are they in terms of how much they buy?
   2. Ci = %DeltaQ/%DeltaI
   3. A negative number originally is an inferior good, positive is a normal good
   4. E.g. -.6 inelastic & inferior
   5. E.g. 1.2 elastic & normal
3. Cross Price Elasticity
   1. Looks at the relationship of two goods
   2. Xy = %DeltaQx/%DeltaPy
   3. If positive then X & Y are substitutes
   4. If negative then X & Y are compliments
   5. To find the coefficient you can use the midpoint formula again
4. Excise Tax
   1. A tax specific to a good, ie federal gas tax
   2. Elasticity effects where the burden of a tax is
   3. Elastic – Producer bears more of the tax
   4. Inelastic - Consumer bears more of the tax
   5. Perfectly Inelastic – 100% tax on consumer
   6. Read up on luxury tax in 1990s