Note that the elasticity is defined at a point: generally speaking, its value varies along a demand curve. The left panel in Figure 2.3 considers the case of a linear demand curve. As we go from the extreme when p is equal to 0 to the extreme when q is equal to zero, the value of ϵ varies from 0 to $-\infty$. (You can check this by looking at the definition of elasticity.) At some intermediate point (the midpoint, if the demand curve is linear), we have $|\epsilon| = 1$.

Although the value of demand elasticity varies from point to point, there is such a thing as a demand curve with constant elasticity, that is, with the same value of demand elasticity at every point. The right panel in Figure 2.3 depicts several examples. There are two extreme cases: a vertical demand curve ($\epsilon = 0$), such that for any price the quantity demanded is always the same; and a horizontal curve ($\epsilon = -\infty$), the extreme case such that even a very small change in price leads to an infinite increase in quantity demanded. These extreme examples are not found in any real-world situation, though some market demands may be close to it. (Can you think of examples?) For the majority of real-world markets, demand elasticity lies somewhere between the two extremes. Table 2.1 provides a few examples.

TABLE 2.1 Price elasticity of demand for selected products and services.[2]

Product and market	Elasticity
Norwegian salmon in Spain	−0.8
Norwegian salmon in Italy	−0.9
Coffee in the Netherlands	−0.2
Natural gas in Europe (short-run)	−0.2
Natural gas in Europe (long-run)	−1.5
US luxury cars in US	−1.9
Foreign luxury cars in US	−2.8
Basic cable TV in US	−4.1
Satellite TV in US	−5.4
Ocean shipping services (worldwide)	−4.4

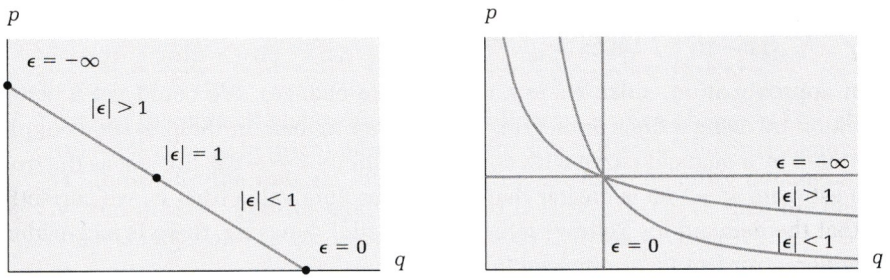

FIGURE 2.3
Demand elasticity