

Example: The price elasticity of Supply is 0.5: **Inelastic** supply

Use the elasticity to calculate the **change in price** necessary to induce a **10%**
increase in quantity supplied

$$e^s_p =$$

%ΔP

% Δ O's



%ΔP=

%ΔO's



e^s_p

%ΔP==

+10



+0.5

= +20%

Price must increase by
20% in order to cause a
10% increase in Q^s

Example: The price elasticity of Supply is 0.5: **Inelastic** supply

Use the elasticity to calculate the **change in price** necessary to induce a **10% increase in quantity supplied**

$$e_p^s = \frac{\% \Delta Q^s}{\% \Delta P}$$

$$\% \Delta P = \frac{\% \Delta Q^s}{e_p^s}$$

$$\% \Delta P = \frac{+10}{+0.5} = +20\%$$

Price must **increase by 20%** in order to cause a **10% increase in Q^s**