



The price elasticity of Supply is 0.5: Inelastic supply

What is the **change in price** necessary to induce a  
10% increase in Quantity Supplied?

$$e^s = p$$

% Δ P

%ΔQDs



%

Δ

P

=

%ΔQDs





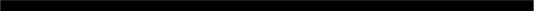
es  
p

**%ΔP=**

+

1

0



**+0.5**

**= +20%**

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



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What is the **change in price** necessary to induce a  
10% increase in Quantity Supplied?

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

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

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

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

The price elasticity of Supply is 2: Elastic Supply

What is the **change in price** necessary to induce a  
10% increase in Quantity Supplied?