

Example: The price elasticity of Supply is 2: **Elastic** Supply

Use the elasticity to calculate the **change in price** necessary to induce a

10% increase in Quantity Supplied

$$e^s_p =$$

$\% \Delta P$

%ΔQs



$\% \Delta P =$

% Δ O's



e^s_p

%ΔP=

+10



+

2

= +5%

Price must **increase by 5%** in order to
cause a **10% increase in Q^s**

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

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

$$\% \Delta P = \frac{+10}{+2} = +5\%$$

Price must **increase by 5%** in order to
cause a 10% increase in Q^s