

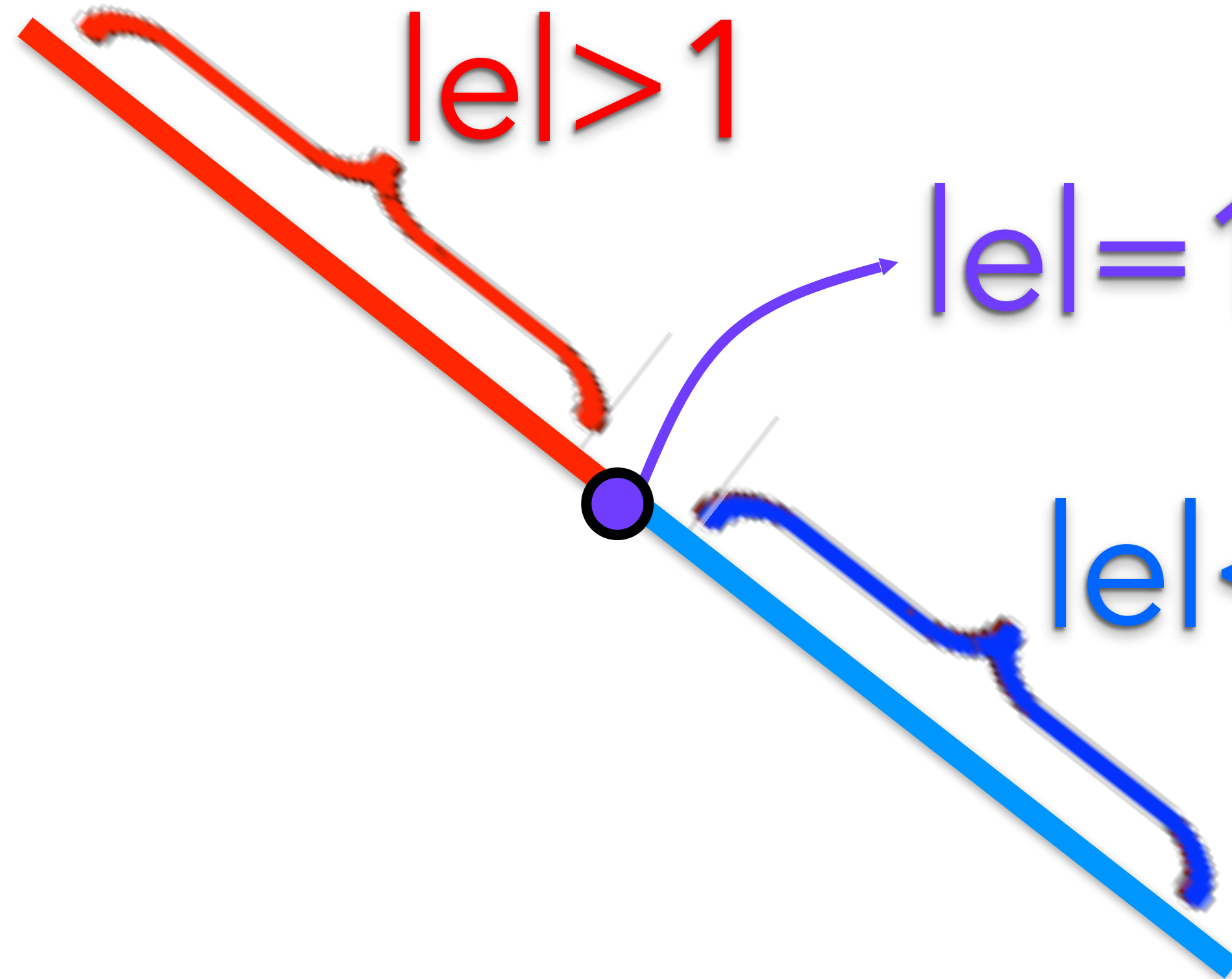
Elastic

$$|e| > 1$$

$$|e| = 1$$

$$|e| < 1$$

Inelastic



Price elasticity of Demand

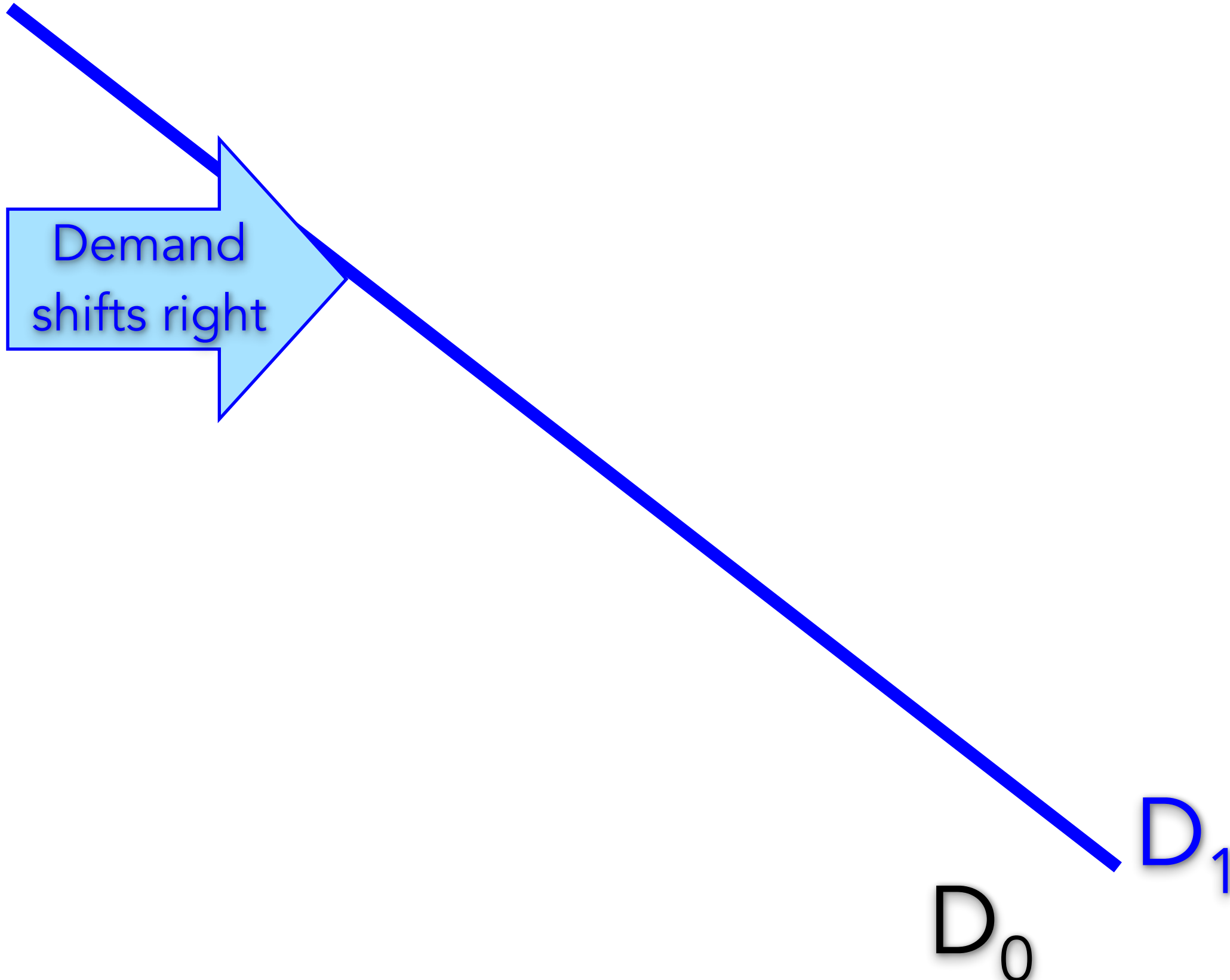
Income elasticity of Demand

Measures the size of the shift

Measure the size of the change in Q^d
relative to the change in Price

Price_{good X}

Q_d_{good X}



W

h

e

n



n





m

e



n





e

a

S

e



e

m

a

n

d







N





m

a



G





d

S



n





e

a

S

e



Income Elasticity for
Normal Goods is
Positive



W

h

e

n



n





m

e



n





e

a

S

e



e

m

a

n

d









n



e









G





d

S

d







e

a

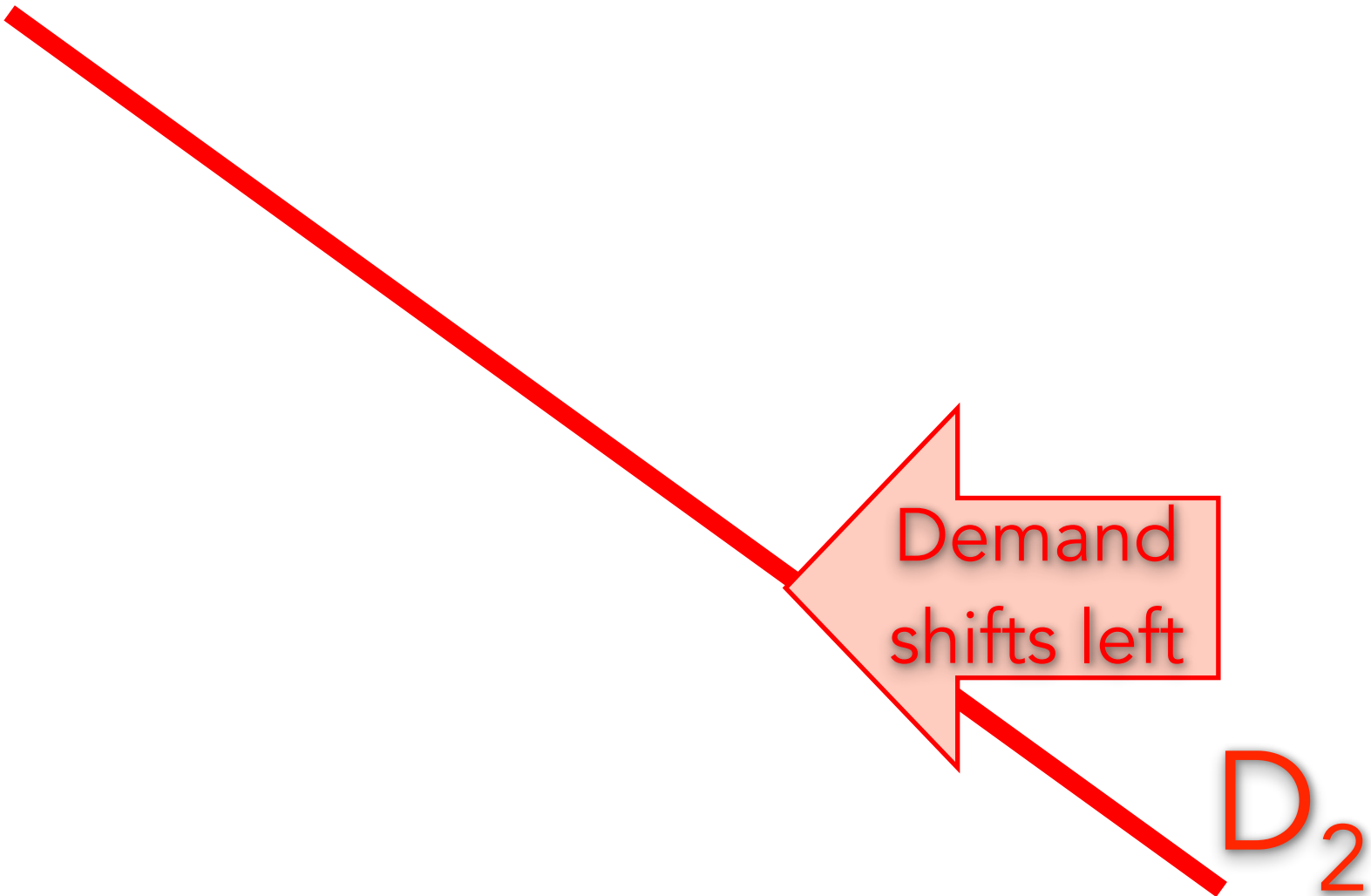
S





Income
Elasticity for
Inferior Goods is
Negative





When Income
Increase

Demand for Normal
Goods increase

When Income
Increase

Demand for Inferior
Goods decrease

Income elasticity of Demand

Measures the size of the shift

