

Extreme Cases







Po

If the cost per unit stays
the same

Production can not increase
regardless of how much
consumers are willing to pay...



Fixed Quantity Supplied



Ω_1

Q₀

$$e_p^s = 0$$

Perfectly Elastic Supply

Consumers don't have to pay a
higher price...Suppliers can
produce more at the same price

\$Cost

Perfectly
Inelastic
Supply

Paintings by Rembrandt

Seats in a theater or stadium

Beach front properties

e_p^s

$=$



P

Q

P

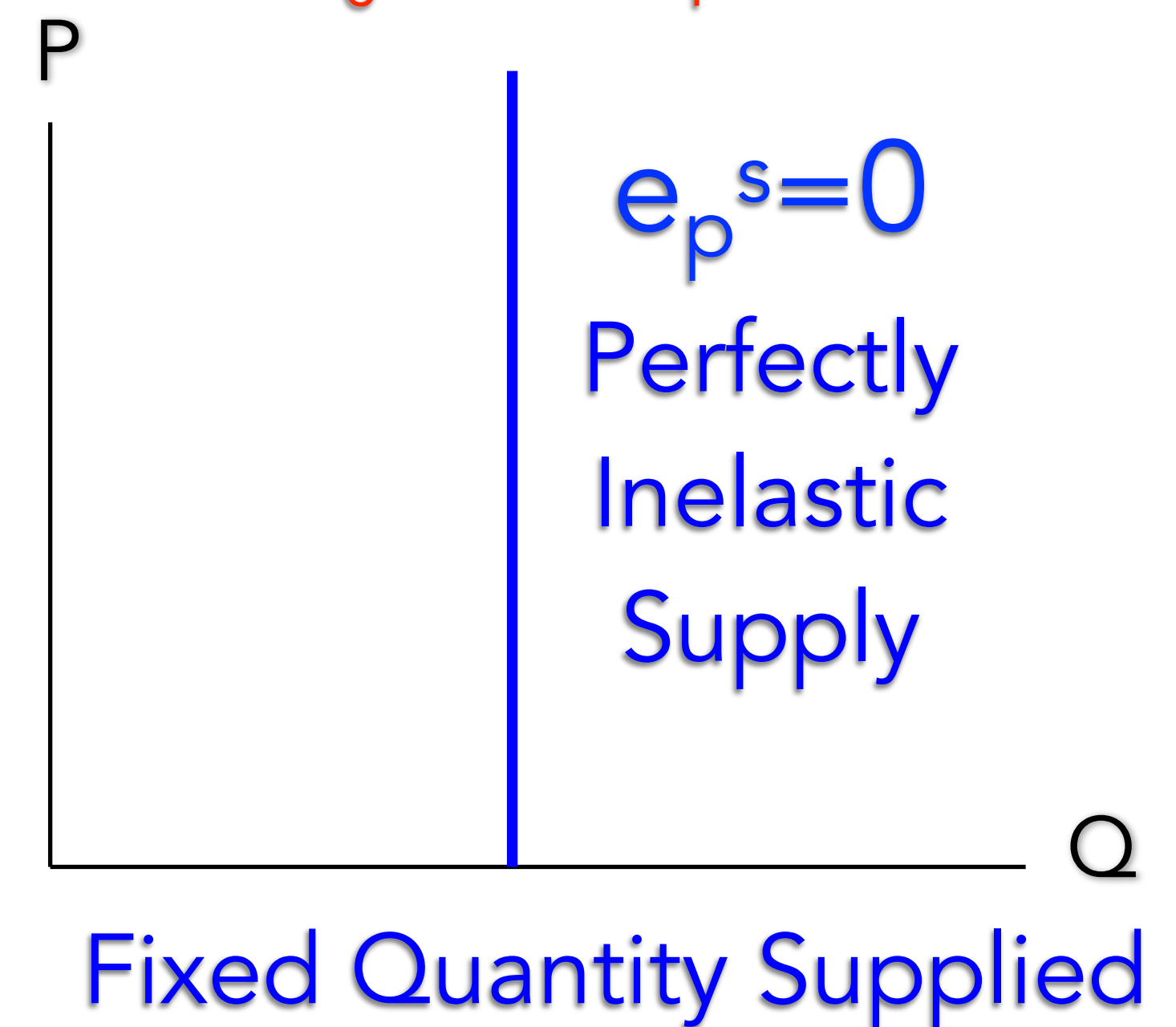
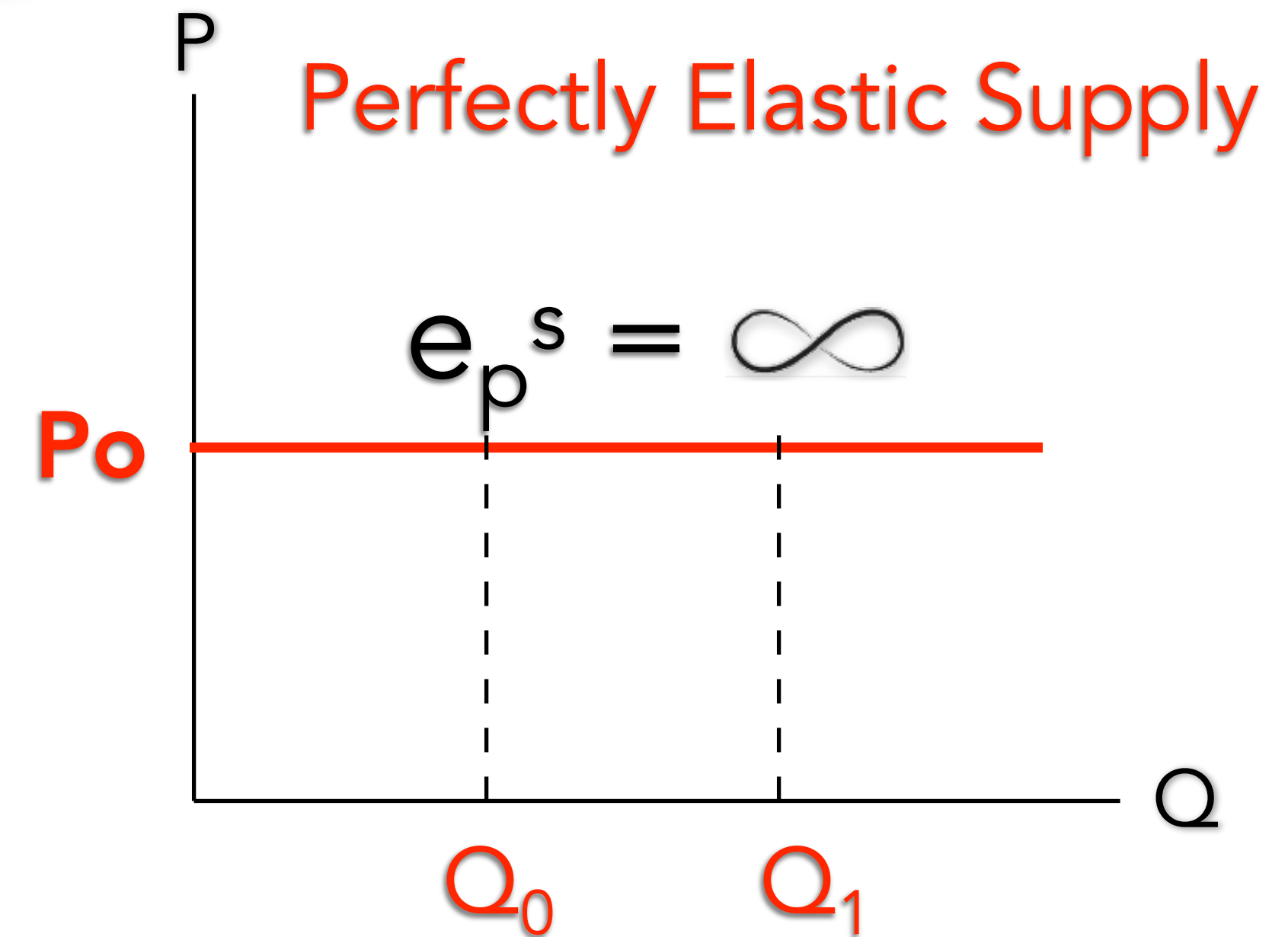
Q

Extreme Cases

Consumers don't have to pay a higher price...Suppliers can produce more at the same price

Production can not increase regardless of how much consumers are willing to pay...

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Calculate the Elasticity at
point B

