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

%ΔQˢ

$$\%\Delta P =$$

%ΔQˢ

esp

$$\%\Delta P =$$

+10

+0.5

= +20%

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

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

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

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

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

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