

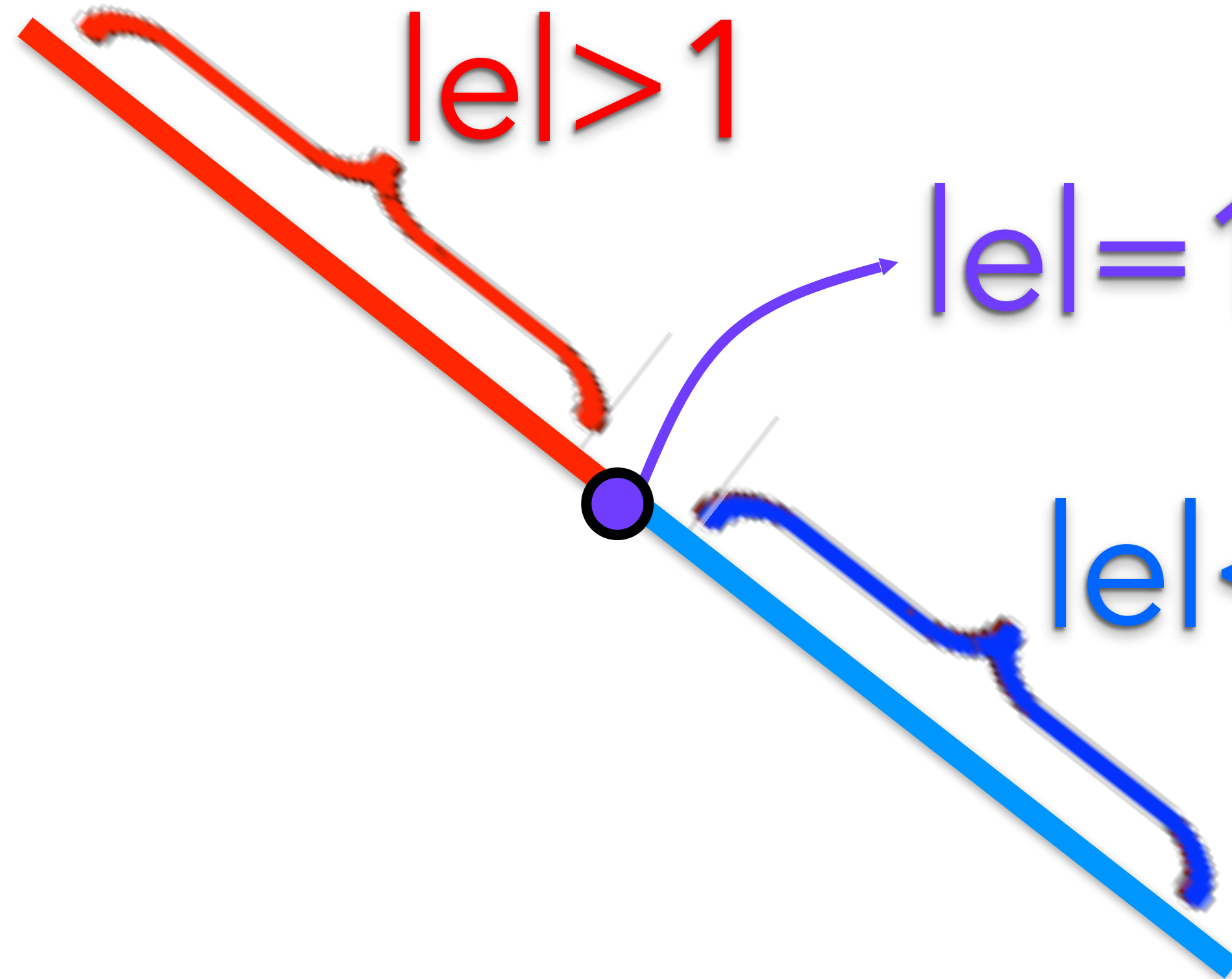
Elastic

$$|e| > 1$$

$$|e| = 1$$

$$|e| < 1$$

Inelastic



Price elasticity of Demand

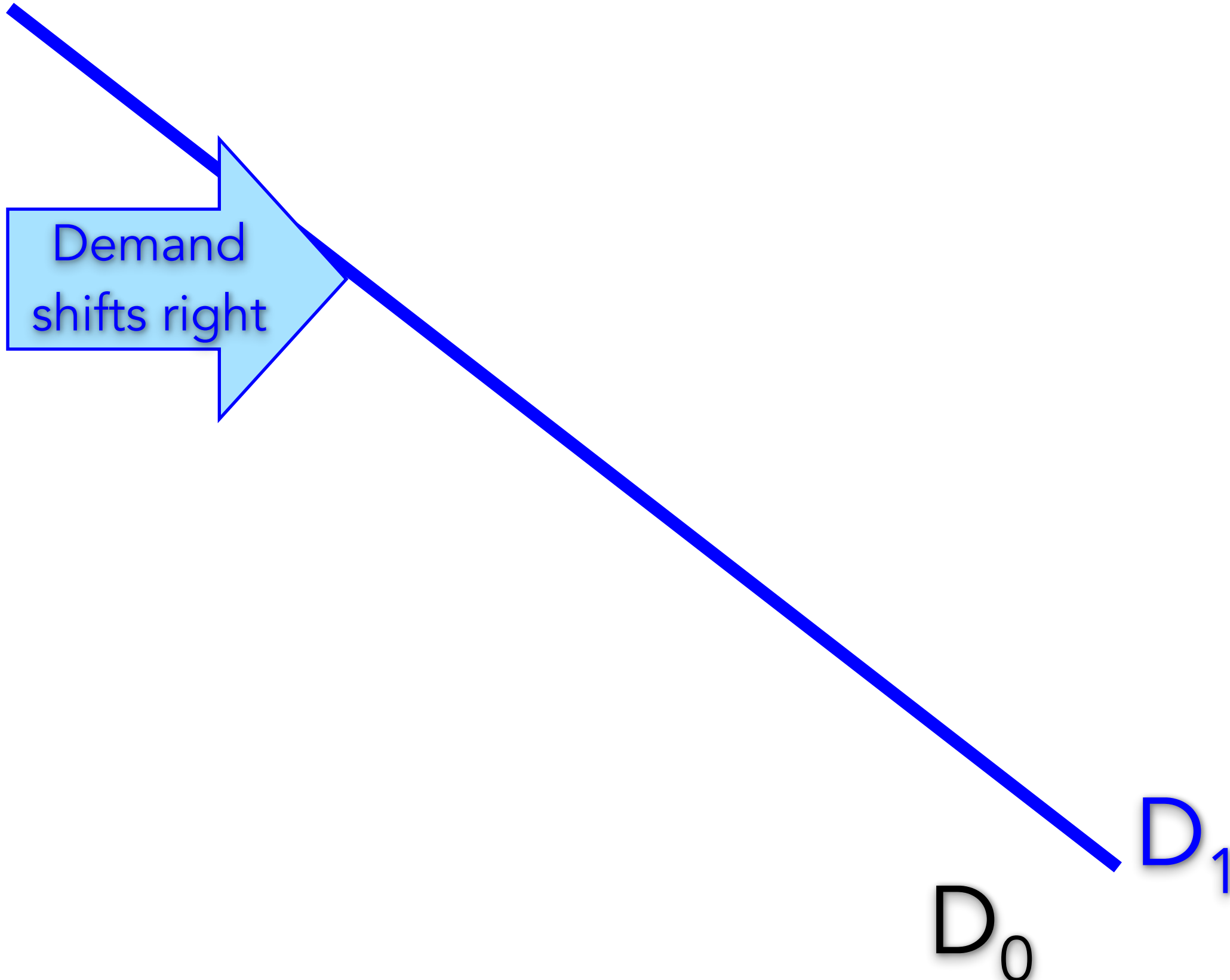
Income elasticity of Demand

Measures the **size** of the **shift** in
Demand when income increase

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









a

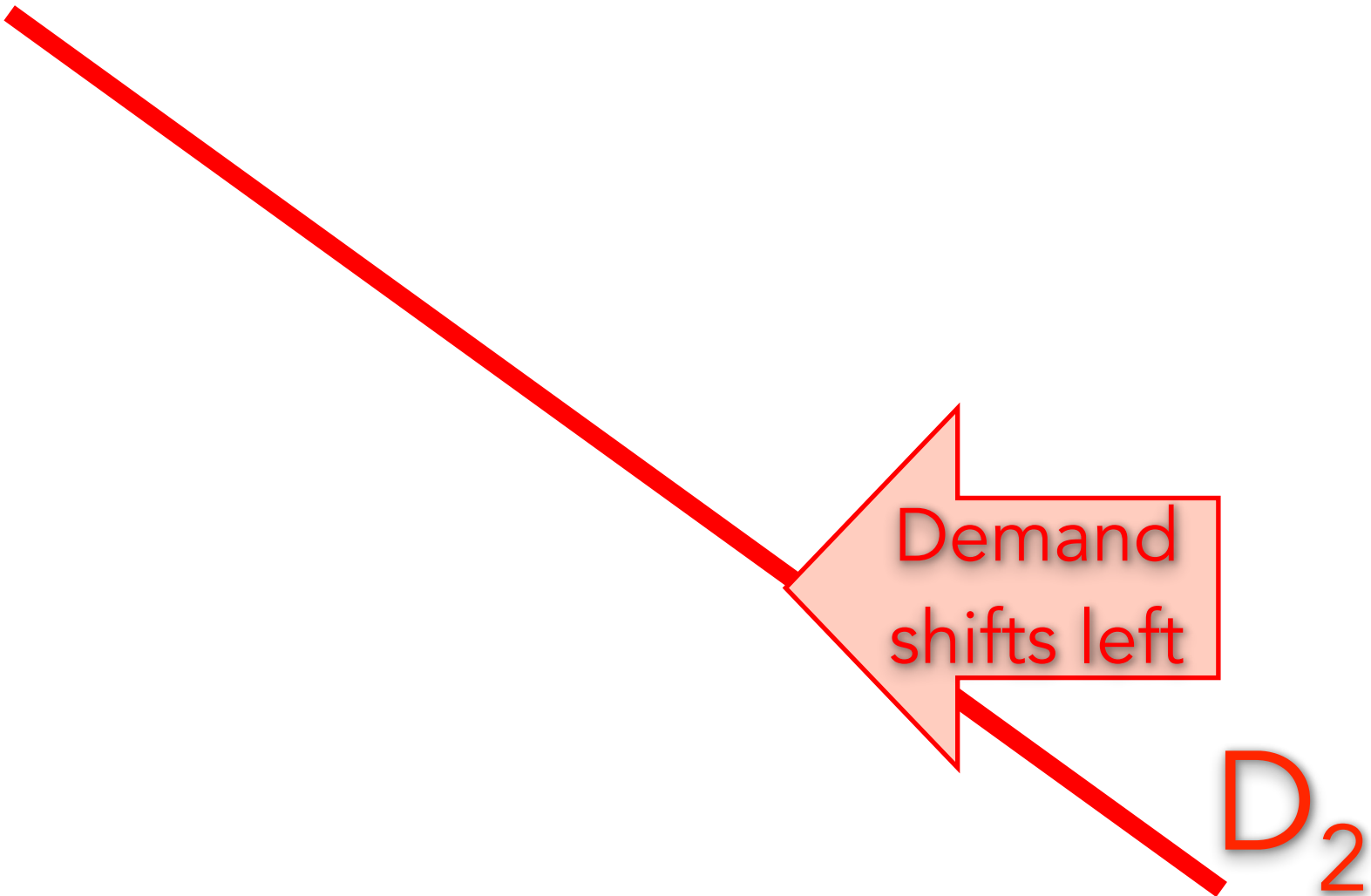
S





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** in Demand when income increase

