

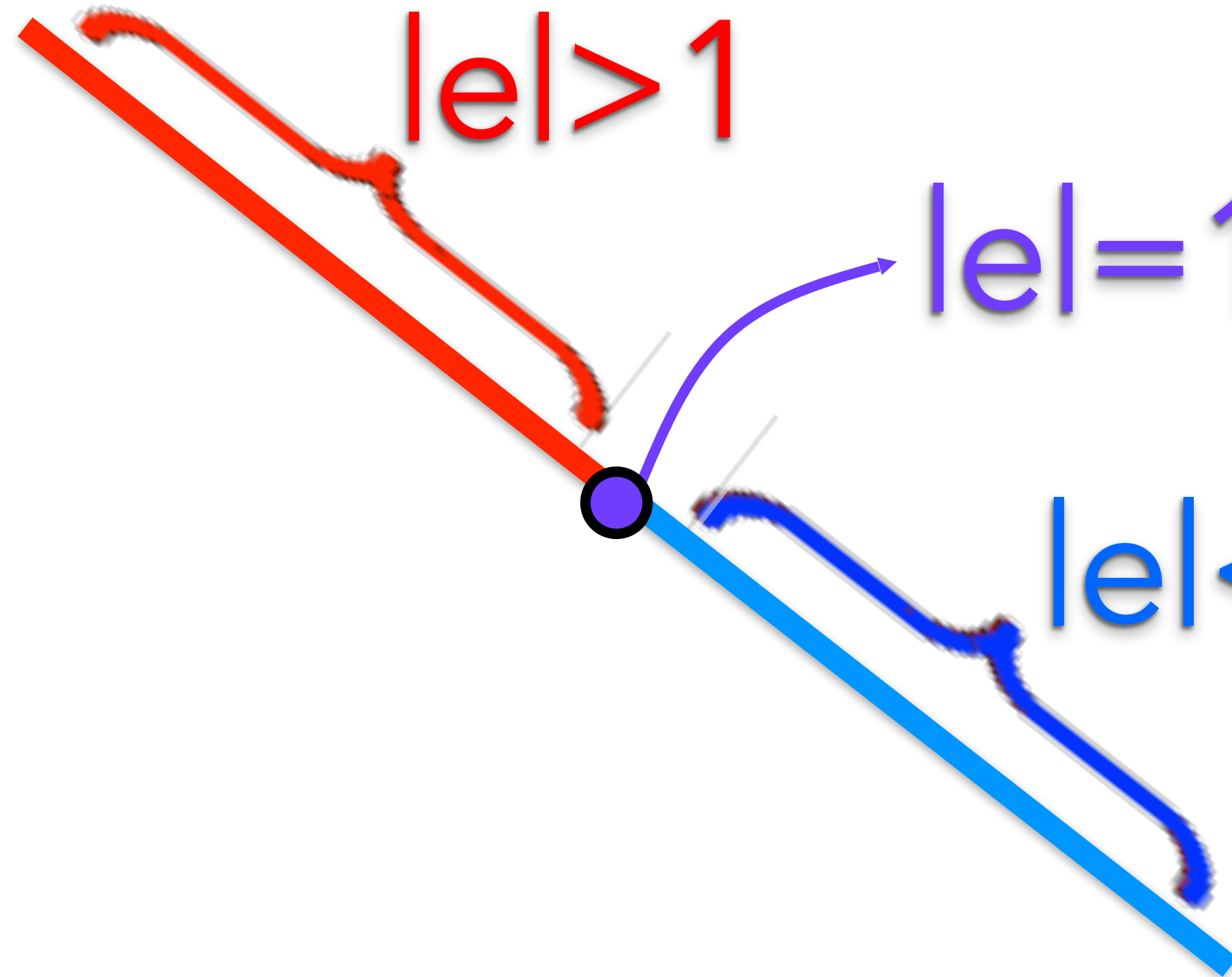
Elastic

$$|e| > 1$$

$$|e| = 1$$

$$|e| < 1$$

Inelastic



# Price elasticity of Demand

# Income elasticity of Demand

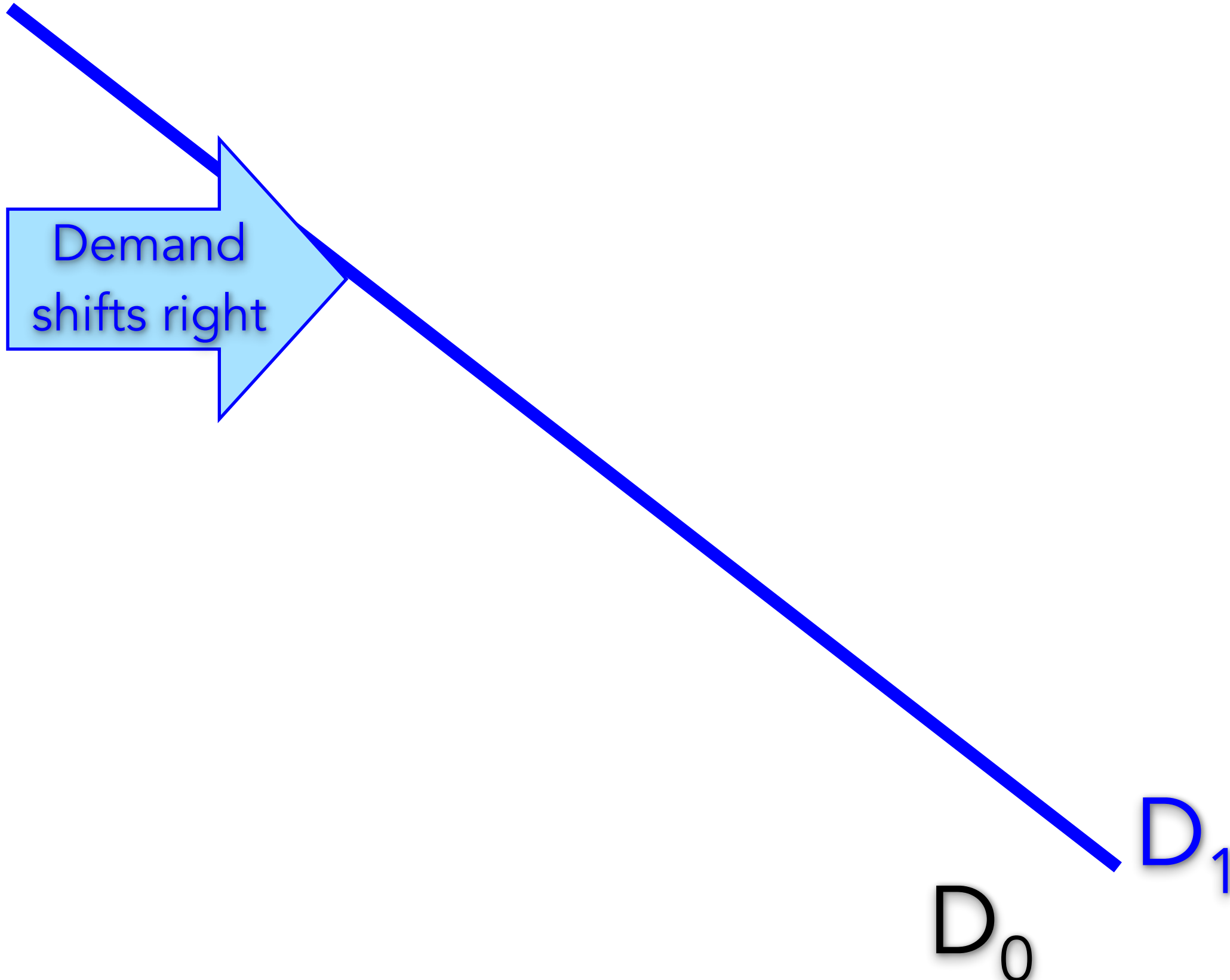
Measures the size of the shift

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



Price<sub>good X</sub>

Q<sub>d</sub><sub>good X</sub>



W

h

e

n







n





m

e



n







e

a

**S**





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

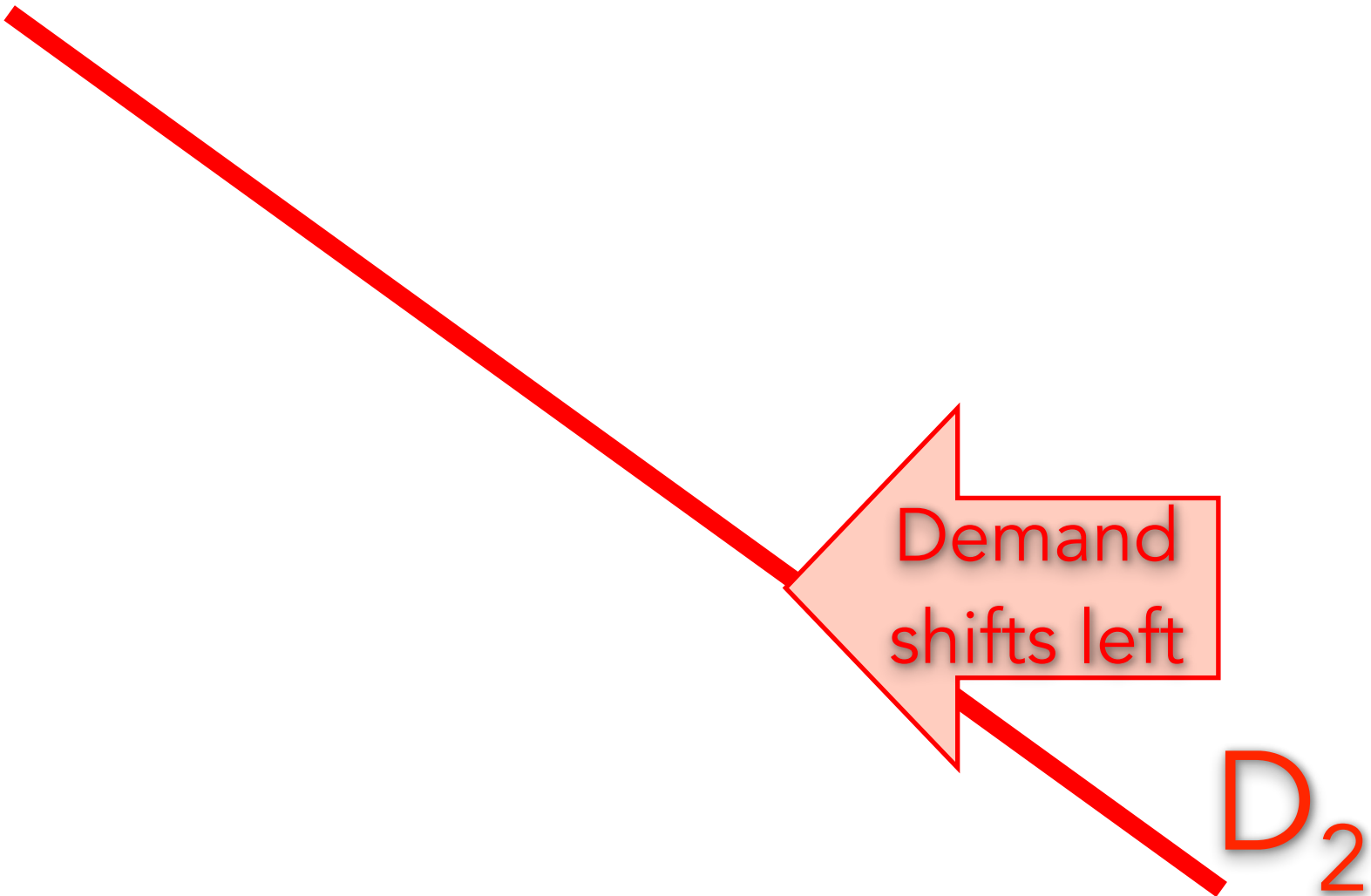
S





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

