

Learning Objectives

Chapter 5

In this chapter you will

- Learn the meaning of the elasticity of demand
- Examine what determines the elasticity of demand
- Learn the meaning of the elasticity of supply
- Examine what determines the elasticity of supply
- Apply the concept of elasticity in three very different markets

You should be able to

- Calculate the price and income elasticity of demand
- Distinguish between the price elasticity of demand for necessities and luxuries
- Calculate the price elasticity of supply
- Distinguish between an inelastic and elastic supply curve
- Demonstrate the impact of the price elasticity of demand on total revenue