

Learning Objectives

Chapter 5

In this chapter you will

- Learn the meaning of the concept of elasticity
- Apply the concept to elasticity to price, income and the relationship between the changing prices of different products on demand
- Examine what determines the elasticity of demand
- Learn the meaning of the elasticity of supply
- Examine what determines the elasticity of supply
- Understand the relevance of elasticity to total expenditure and total revenue
- Apply the concept of elasticity in three very different markets

You should be able to

- Calculate elasticity using the mid-point method
- Distinguish between the price elasticity of demand for necessities and luxuries
- Calculate different elasticities – price income and cross
- 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 expenditure and total revenue