

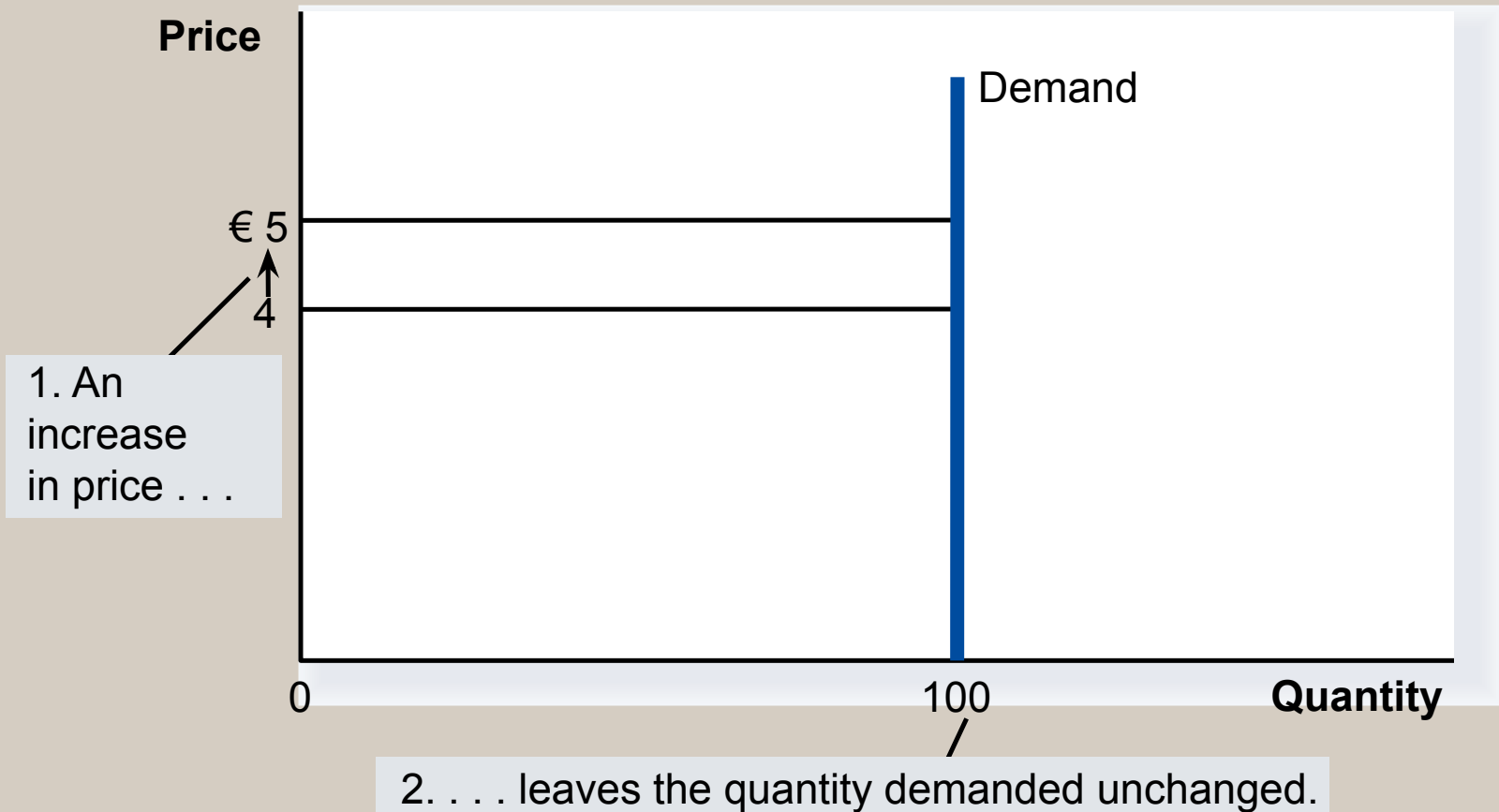


# Elasticity and Its Applications

5

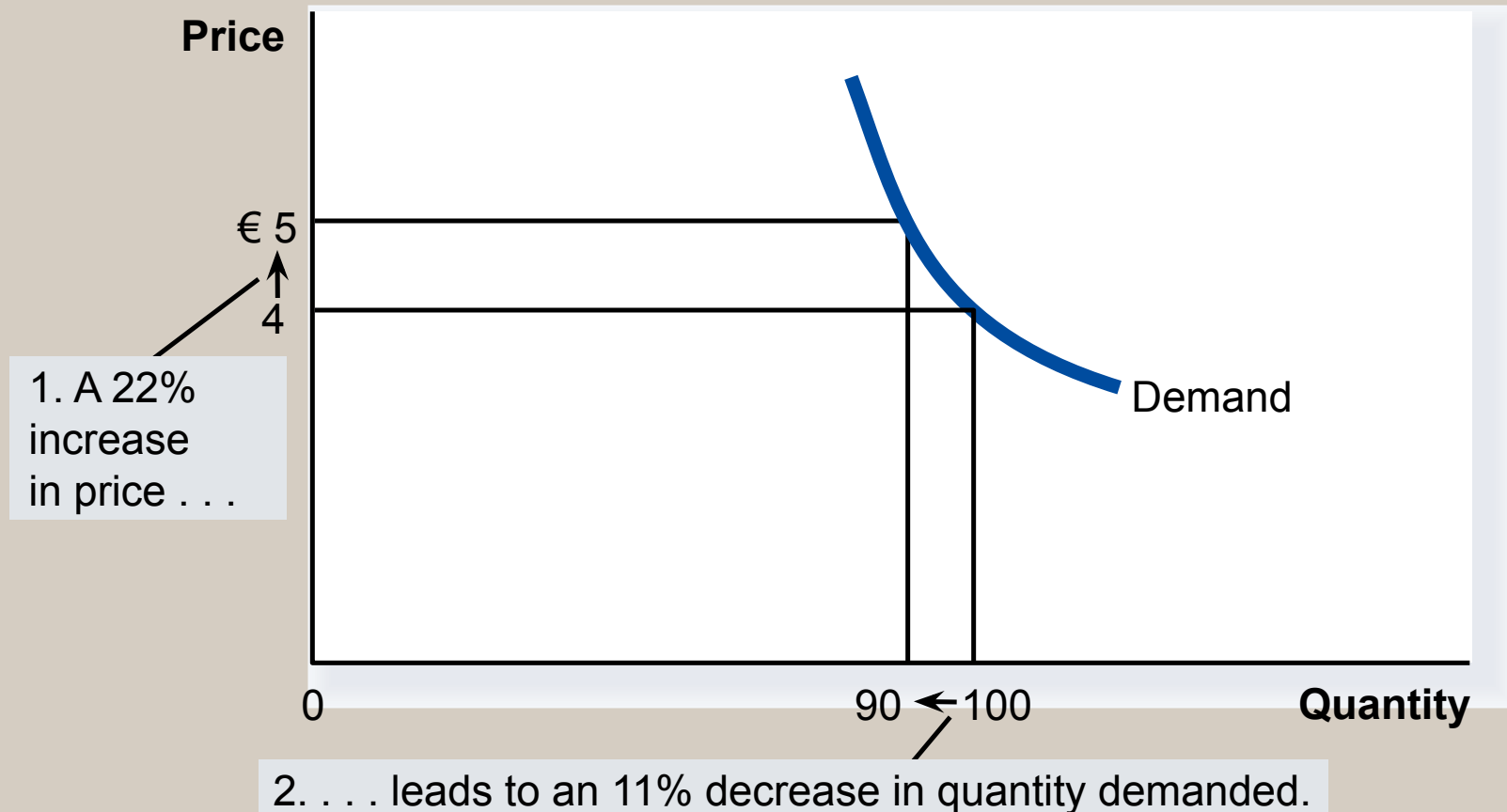
# Figure 1 The Price Elasticity of Demand (1)

(a) Perfectly inelastic demand: Elasticity equals 0



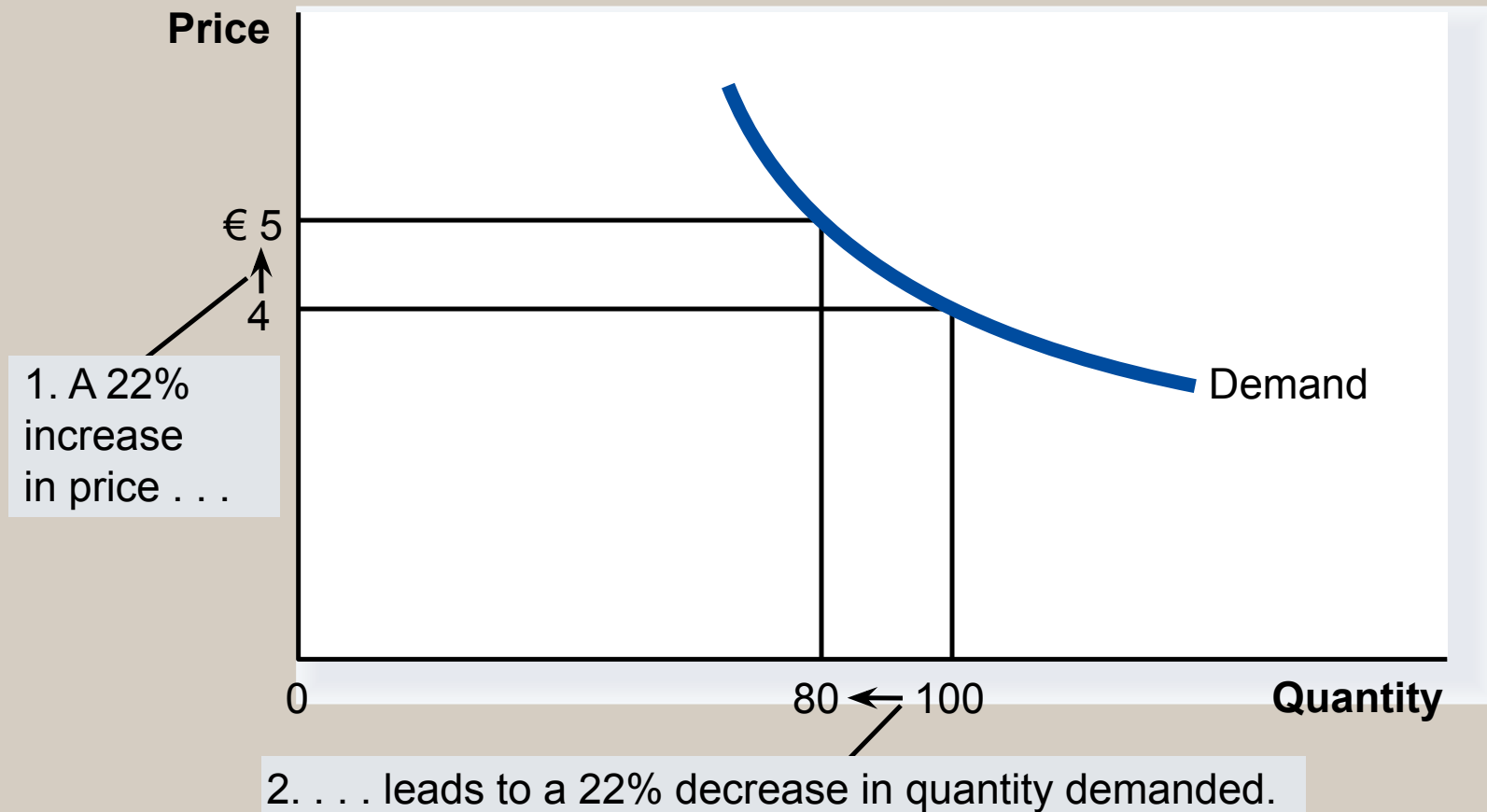
# Figure 1 The Price Elasticity of Demand (2)

(b) Inelastic demand: Elasticity is less than 1



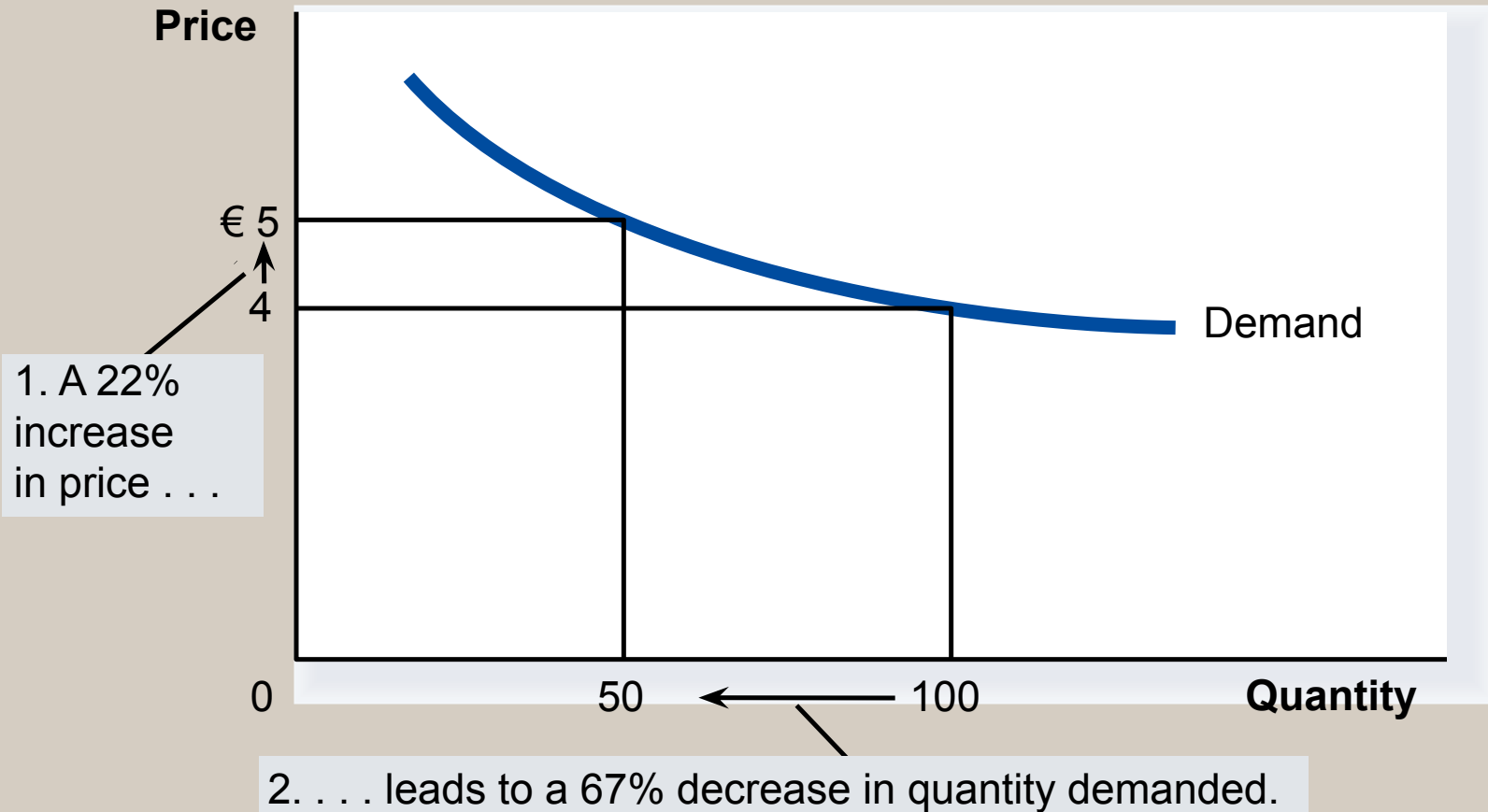
# Figure 1 The Price Elasticity of Demand (3)

(c) Unit elastic demand: Elasticity equals 1



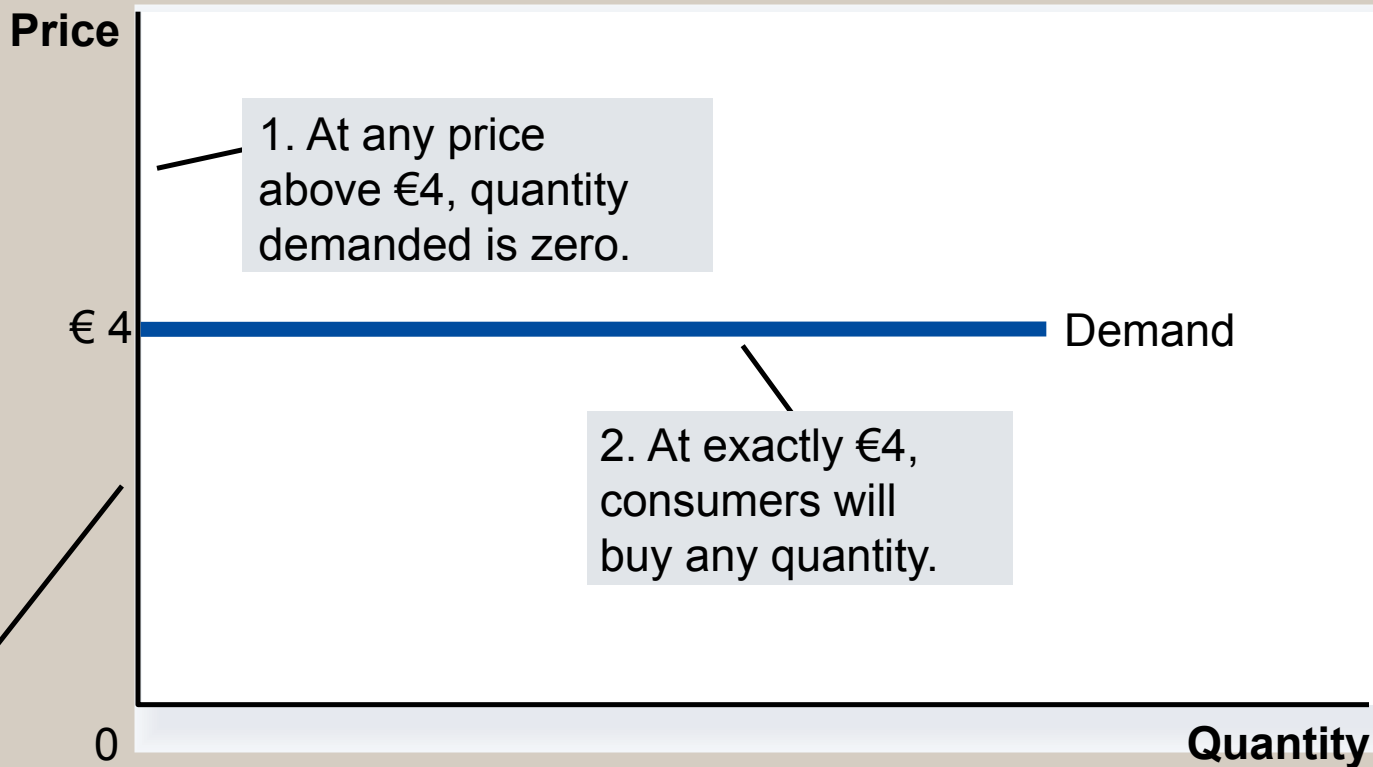
# Figure 1 The Price Elasticity of Demand (3)

(d) Elastic demand: Elasticity is greater than 1



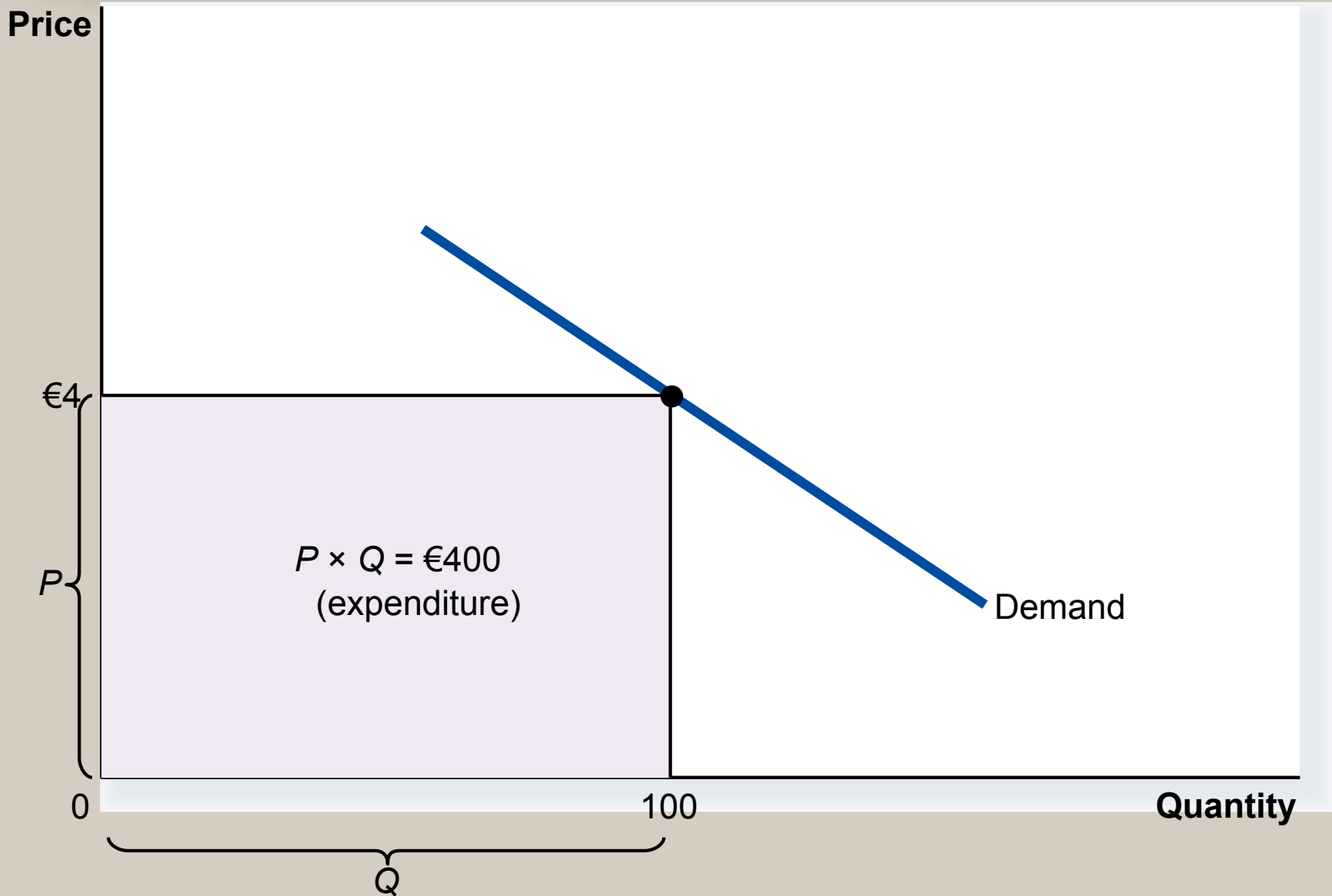
# Figure 1 The Price Elasticity of Demand (4)

## (e) Perfectly elastic demand: Elasticity equals infinity

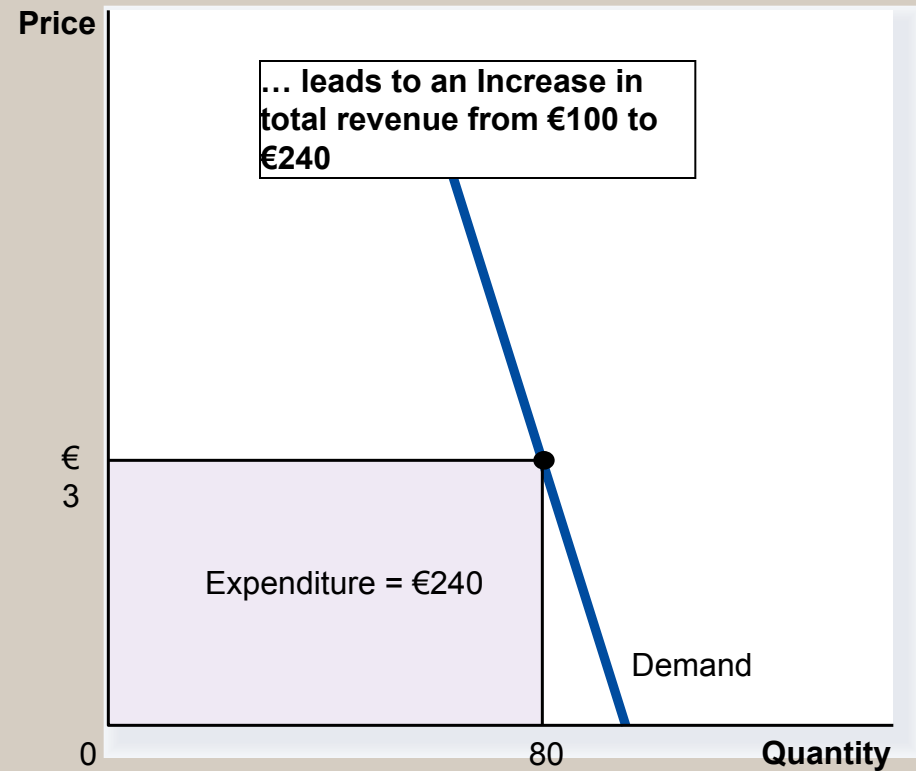
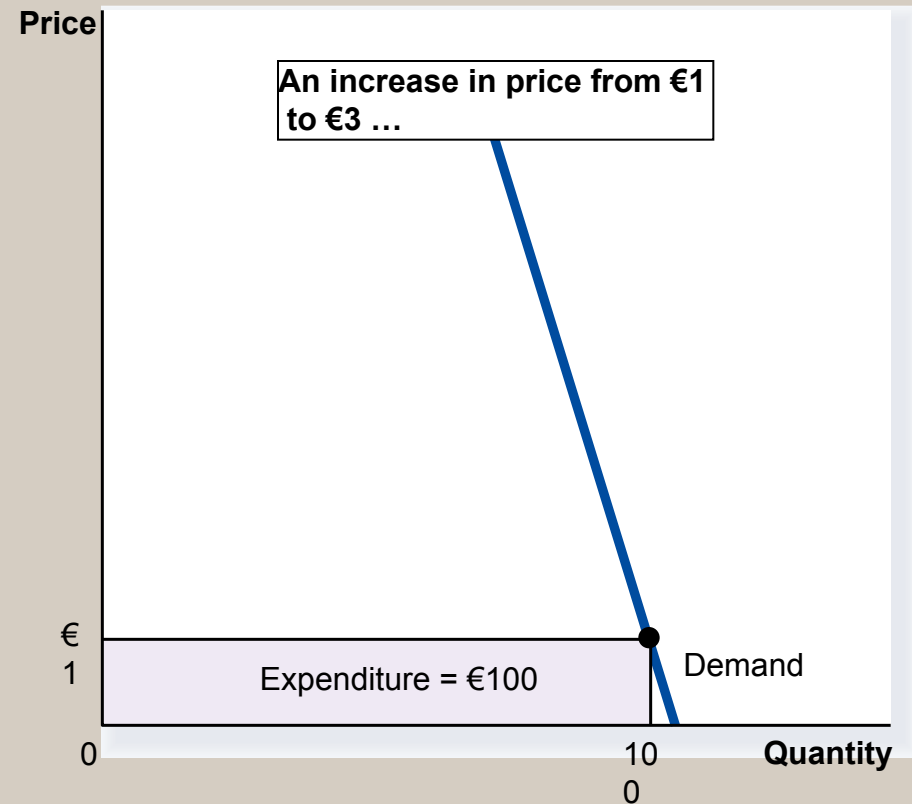


3. At a price below €4, quantity demanded is infinite.

# Figure 2 Total Expenditure

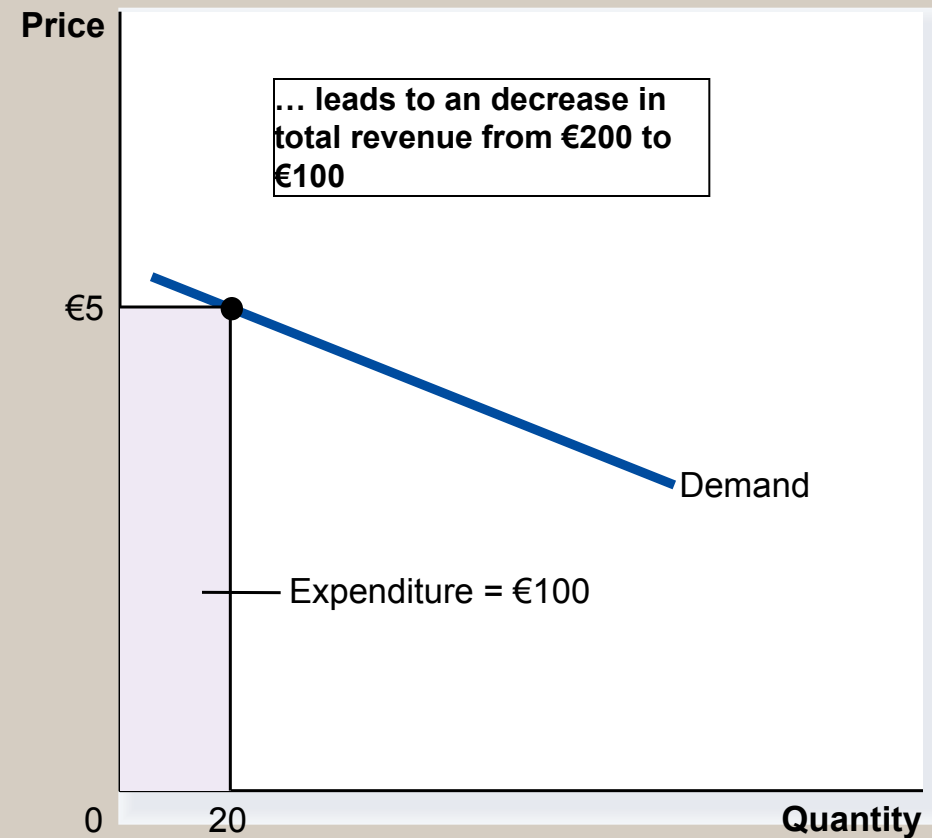
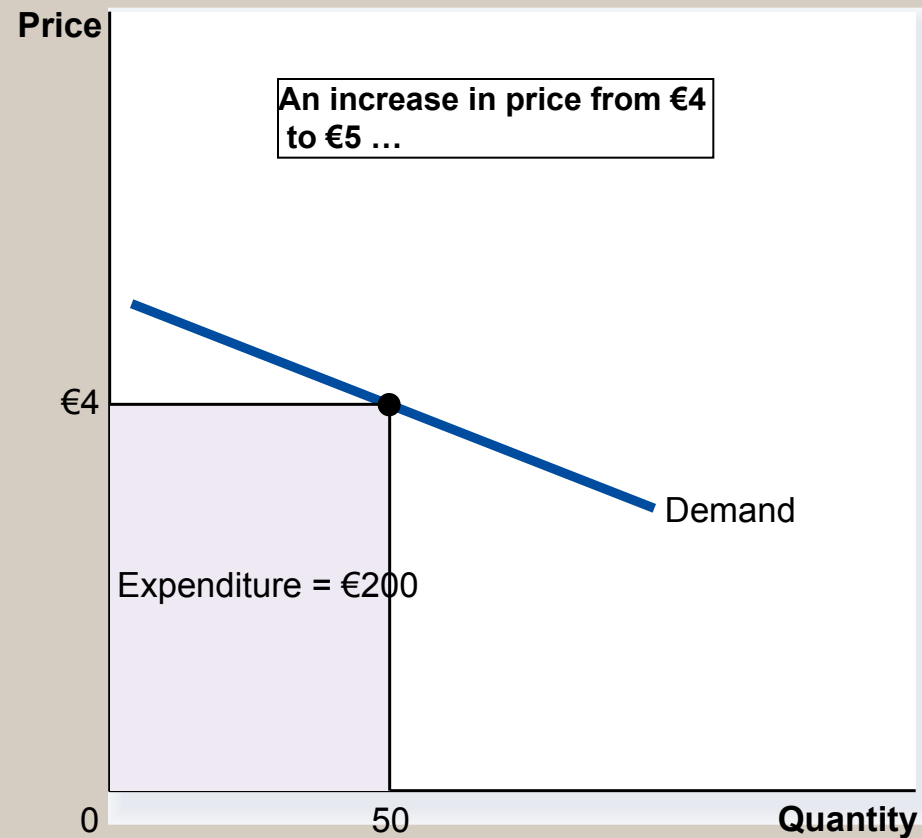


# Figure 3 How Total Expenditure Changes When Price Changes: Inelastic Demand



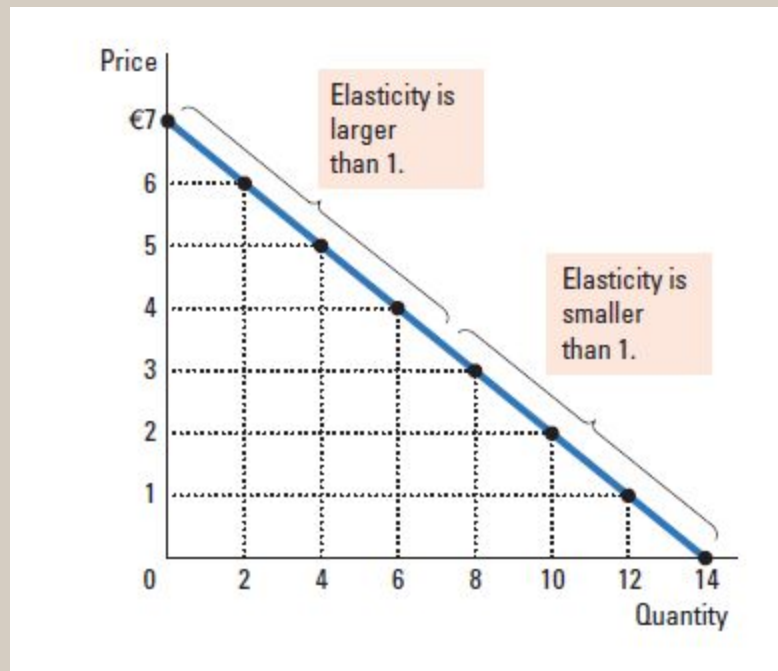


# Figure 4 How Total Expenditure Changes When Price Changes: Elastic Demand



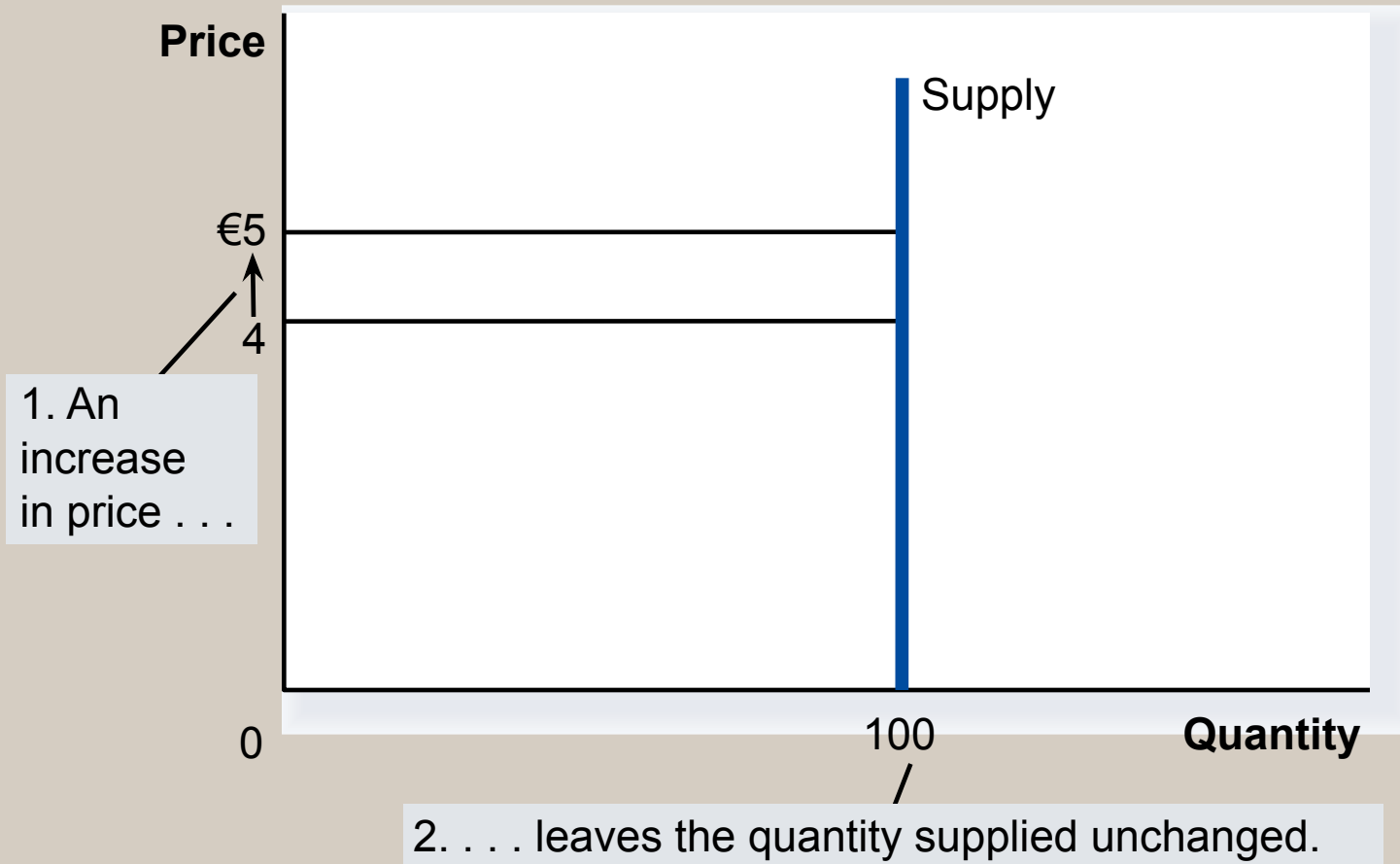
# Figure 5 Elasticity of a Linear Demand Curve

Price (€)	Quantity	Total revenue (Price × Quantity)	Percent change in price	Percent change in quantity	Elasticity
€7	0	€0			
6	2	12	15	200	13.33
5	4	20	18	67	3.70
4	6	24	22	40	2.27
3	8	24	29	29	1.69
2	10	20	40	22	1.82
1	12	12	67	18	3.75
0	14	0	200	15	13.33



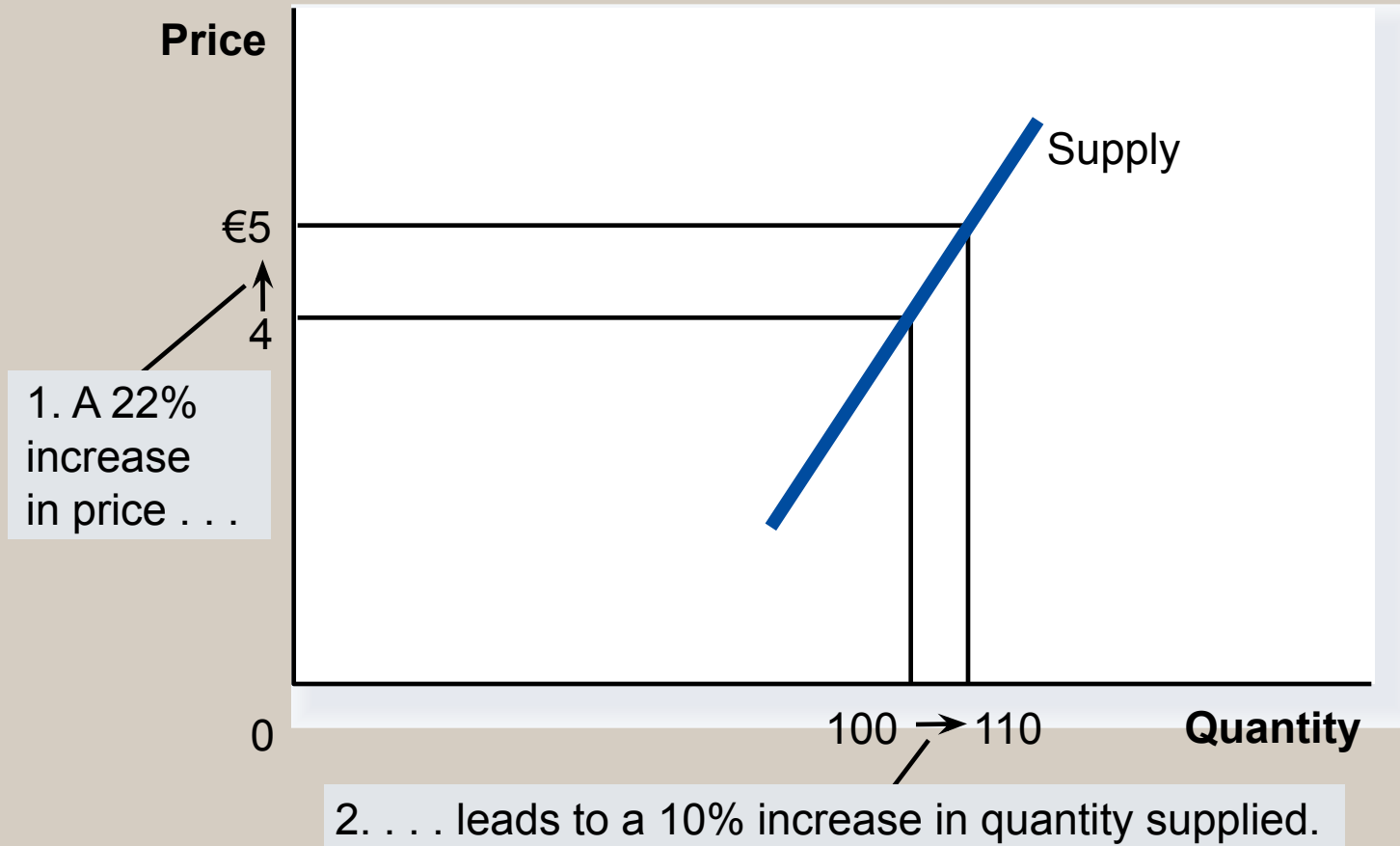
# Figure 6 The Price Elasticity of Supply (1)

(a) Perfectly inelastic supply: Elasticity equals 0



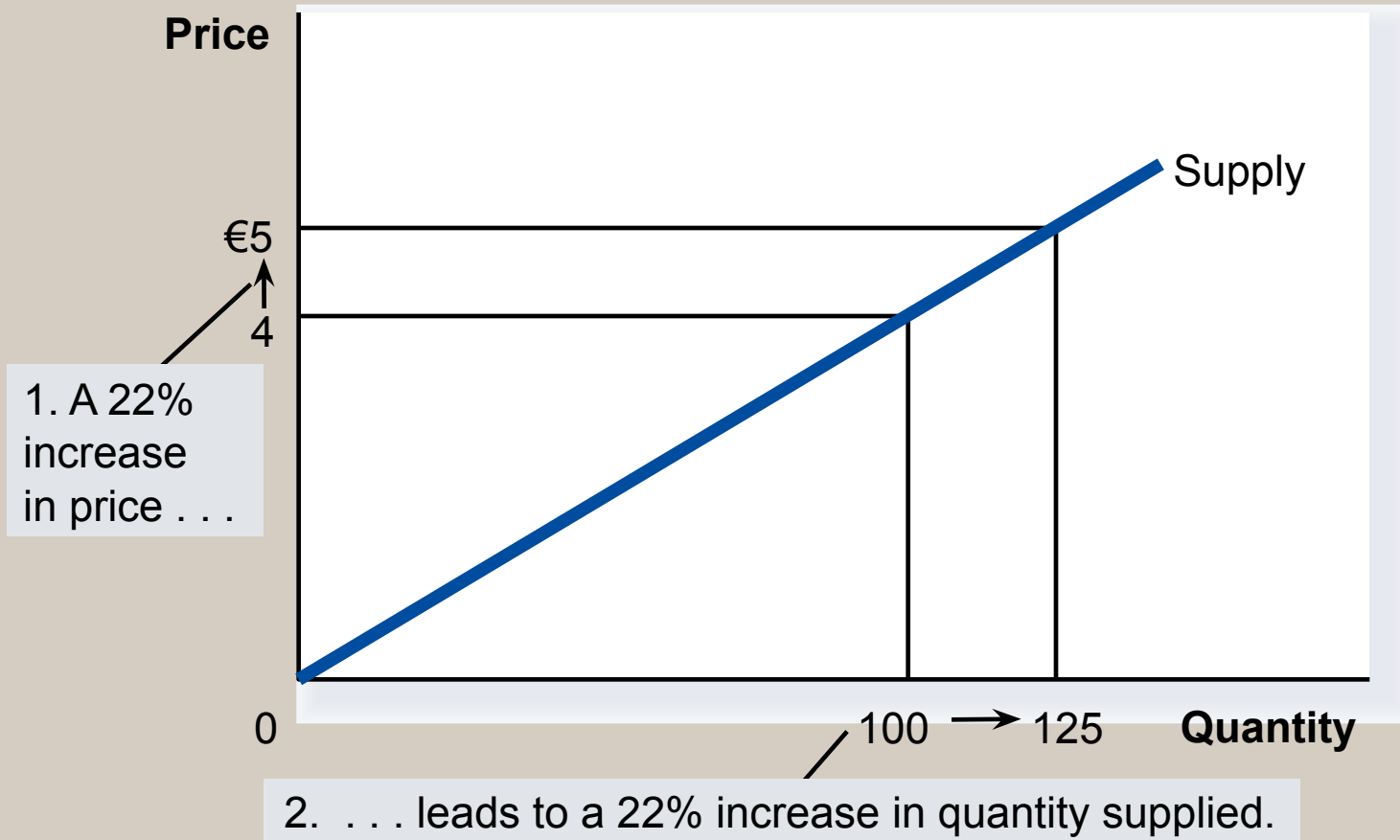
# Figure 6 The Price Elasticity of Supply (2)

(b) Inelastic supply: Elasticity is less than 1



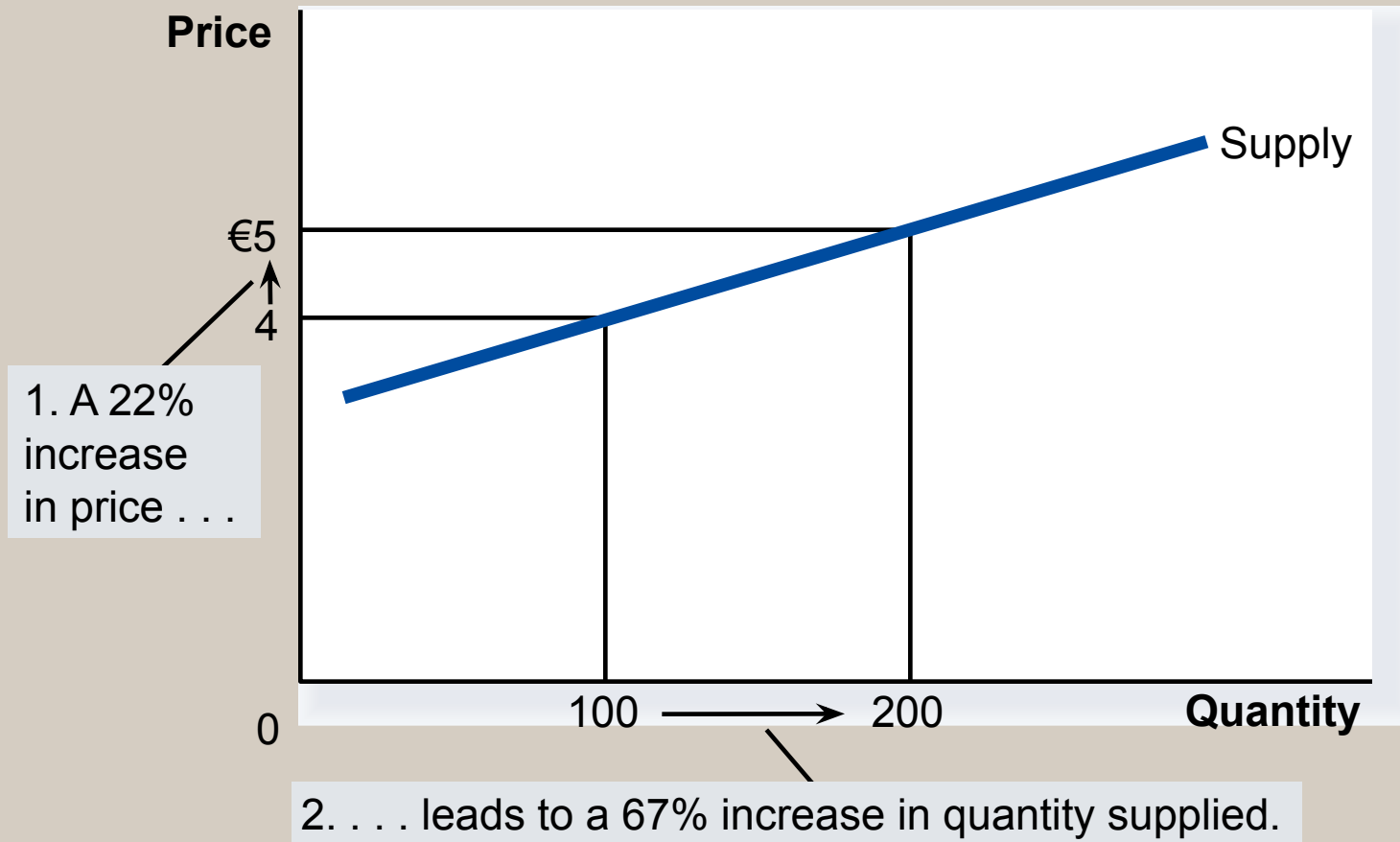
# Figure 6 The Price Elasticity of Supply (3)

(c) Unit elastic supply: Elasticity equals 1



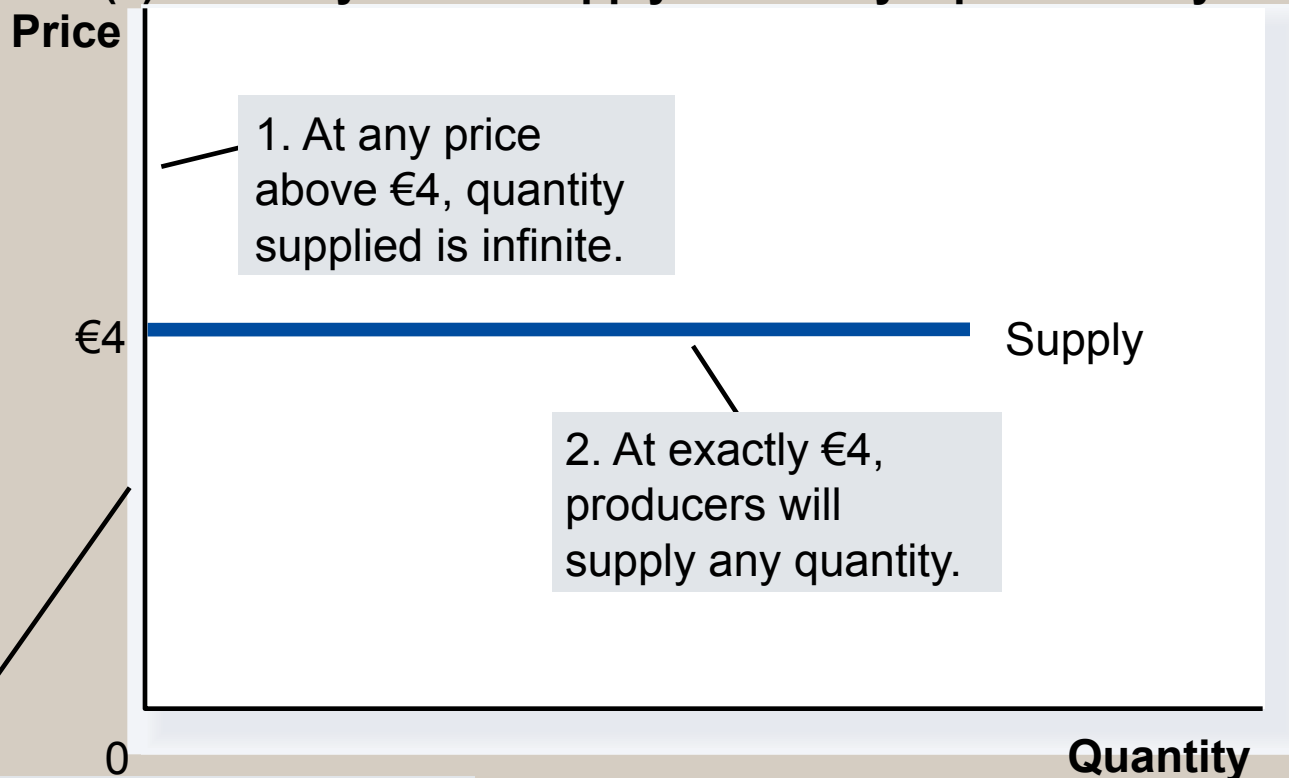
# Figure 6 The Price Elasticity of Supply (4)

(d) Elastic supply: Elasticity is greater than 1

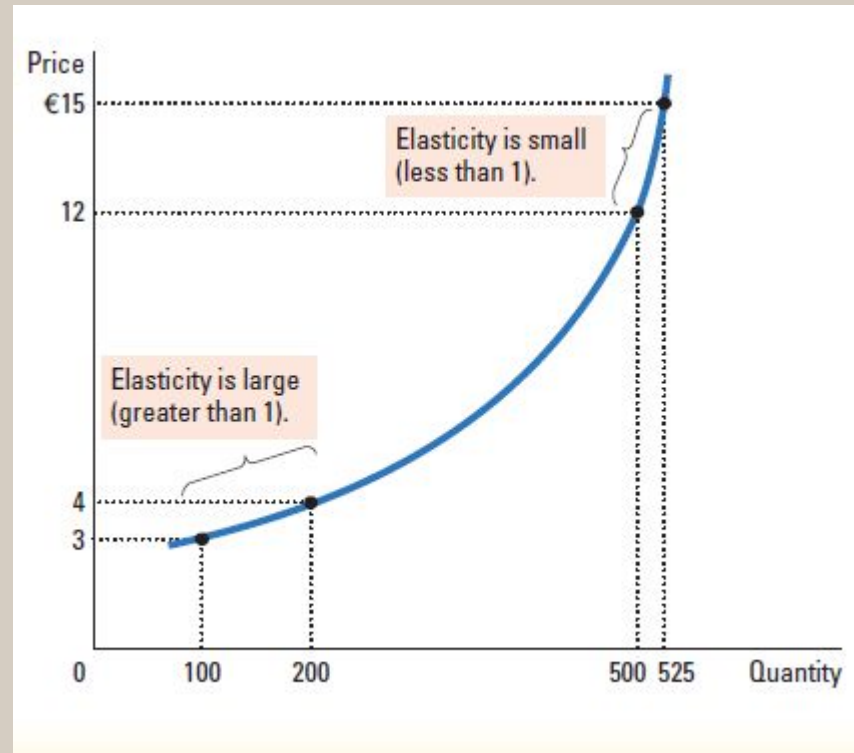


## Figure 6 The Price Elasticity of Supply (5)

(e) Perfectly elastic supply: Elasticity equals infinity

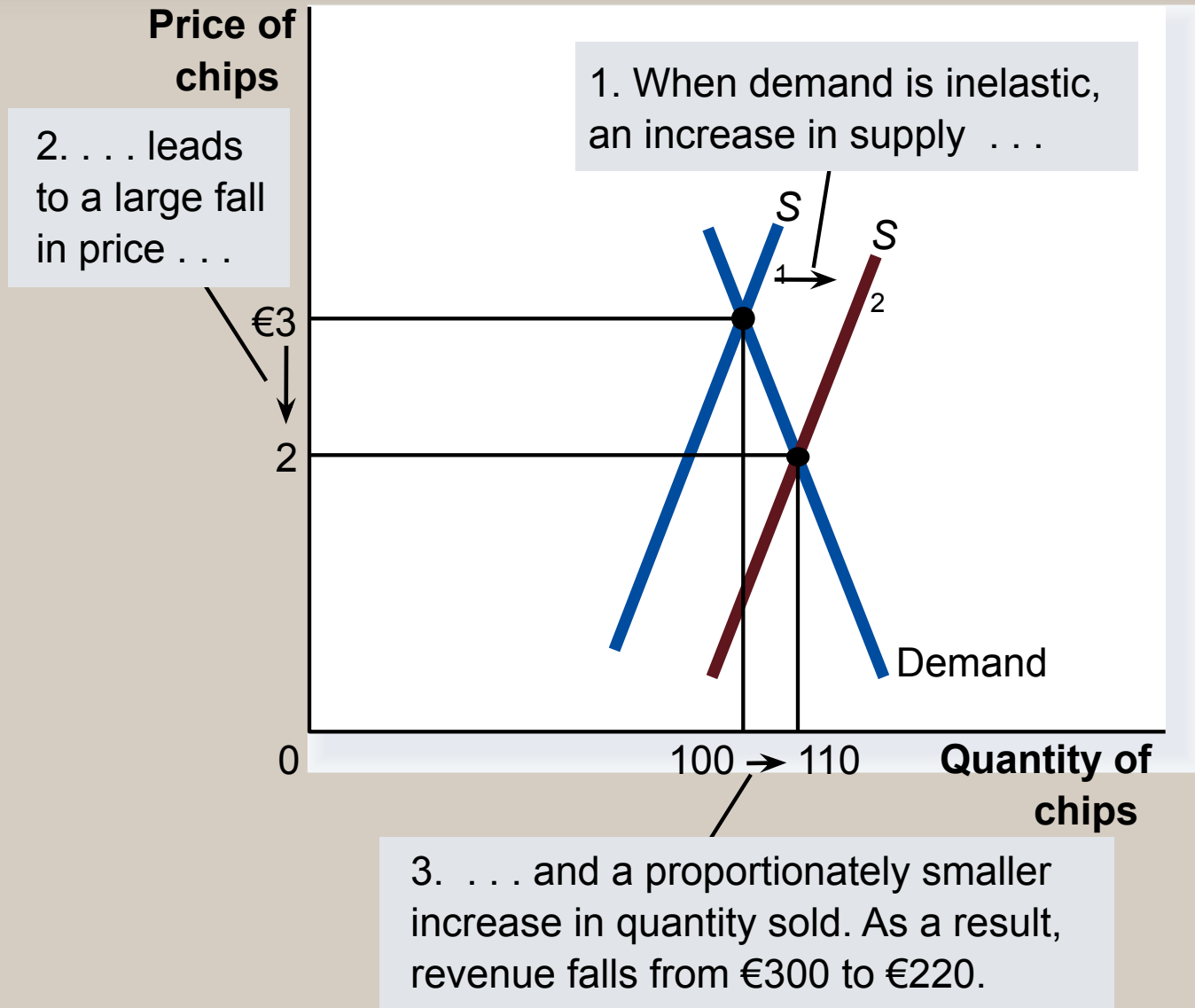


# Figure 7 How the Price Elasticity of Supply Can Vary





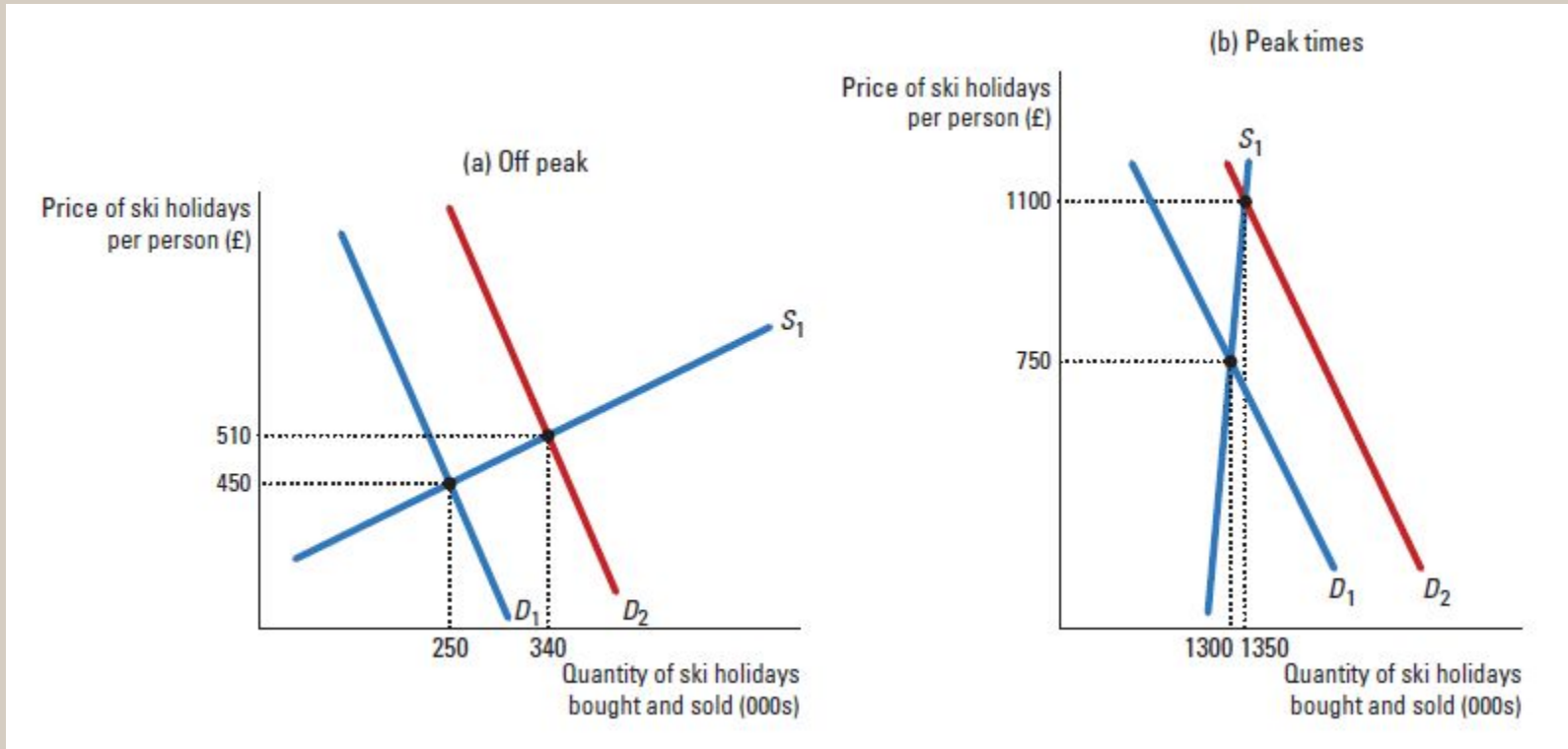
# Figure 8 An Increase in Supply in the Market for Chips



## Table 1 Prices of 7-night Ski Holidays in Austria, from London

<b>Departure date</b>	<b>Price per person (£)</b>
5 December 2010	470
26 December 2010	1 000
16 January 2011	650
5 February 2011	670
13 February 2011	720
20 February 2011	1 180
27 February 2011	700

# Figure 9 The Supply of Ski Holidays in Europe



# Figure 10 Policies to Reduce the Use of Illegal Drugs

