Topic: other elastizities

1. cross-price elasticity of demand. $\frac{\% \Delta Q \text{ product A}}{\% \Delta P \text{ product B}}$
   - can be positive or negative
   - A & B complements.

(∈ signifies elastizity)

$P_B \uparrow \; Q_A \downarrow$ $\in < 0$

$P_B \downarrow \; Q_A \uparrow$ (negative)

   - A & B substitutes

$P_B \uparrow \; Q_A \uparrow$ $\in > 0$

$P_B \downarrow \; Q_A \downarrow$

2. price elastizity of supply $\frac{\% \Delta Q \text{ supplied}}{\% \Delta P}$ always (+)

3. Income elastizity of demand $\frac{\% \Delta Q \text{ demanded}}{\% \Delta \text{ income}}$

(+) normal goods

(-) inferior good

elasticity is measure of responsiveness of Q (demanded or supplied) to some stimulus

$$\epsilon = \frac{\%\Delta \text{ response}}{\%\Delta \text{ stimulus}}$$

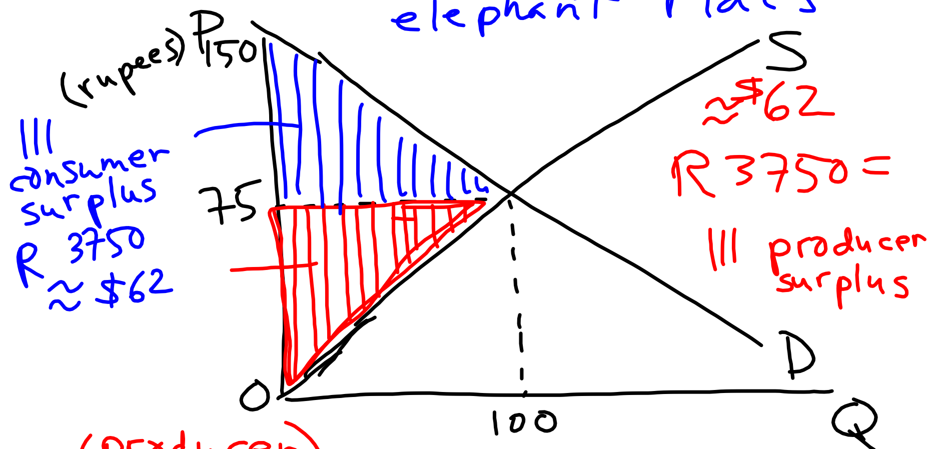
$\frac{20\%}{10\%} = 2$ elastic

$|\epsilon| > 1$ elastic

$|\epsilon| < 1$ inelastic

$|\epsilon| = 1$ unit elasticity

topic: consumer and producer surplus



(producer) supplier: surplus is excess price you get over the price you would have been willing to accept.

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