

EC 131 - Lecture 5

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Textbook readings: Chapter 5

1 Elasticity

- Elasticity of demand
- Determinants of demand elasticity
 - Close substitutes
 - Necessities/Luxuries
 - Market definition
 - Time horizon
- Computing price elasticity of demand
 - Elastic / Inelastic / Unit elastic demand
- Graphical interpretation
 - Perfectly inelastic demand
 - Inelastic demand
 - Elastic demand
 - Perfectly elastic demand
- Midpoint formula
- Elasticity along linear demand curve
- Elasticity from demand function
- Price elasticity of Supply

- Perfectly inelastic supply
 - Inelastic supply
 - Elastic supply
 - Perfectly elastic supply
- Total revenue and price elasticity of demand
- Income elasticity of demand
- Cross-price elasticity of demand