Nalanda Open University
Department of Economics

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- Course – BA Economics (Part –I)
- Paper – I (Micro Economics)
- Topic – Elasticity of Demand

Definition of Elasticity of Demand

- Elasticity is the measure of responsiveness of one variable to the change in other variable.
- ‘Elasticity of demand measures responsiveness of the quantity demanded of as good, to change in its price, price of other goods and change in the consumer’s income’. by Dooley

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Types of Elasticity of Demand

Three types of Elasticity of Demand

(a) Price Elasticity of Demand

(b) Income Elasticity of Demand

(c) Cross Elasticity of Demand

Degree of Price Elasticity of Demand

Five types of Price Elasticity of Demand

(i) Perfect Elastic (e= Infinite)

(ii) Elastic or More than Unit Elastic (e> 1)

(iii) Unit Elastic (e = 1)

(iv) Inelastic or Less than Unit Elastic (e< 1)

(v) Perfectly Inelastic (e = Zero)

Methods of Measuring Price Elasticity of Demand

Three types of measurement of Price Elasticity of Demand

(i) Total Expenditure Method (Total Outlay Method)

(ii) Proportionate Method

(iii) Point Elasticity Method

Factors Determining the Price Elasticity of Demand

- Characteristic of Commodity
- Various use of Commodity
- Availability of alternate commodity
- Habit, taste, order and preference of Consumer
- Income of Consumer
- Time
- Joint Demand