



Micro-Economics

Price Elasticity of Demand

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Income elasticity of demand



- 1. Meaning
- 2. Formula
- 3. Types
- 4. Factors

Formula



- $Y_{edx} = \frac{\% \text{ change in } Dx}{\% \text{ change in } Y}$
-

Positive

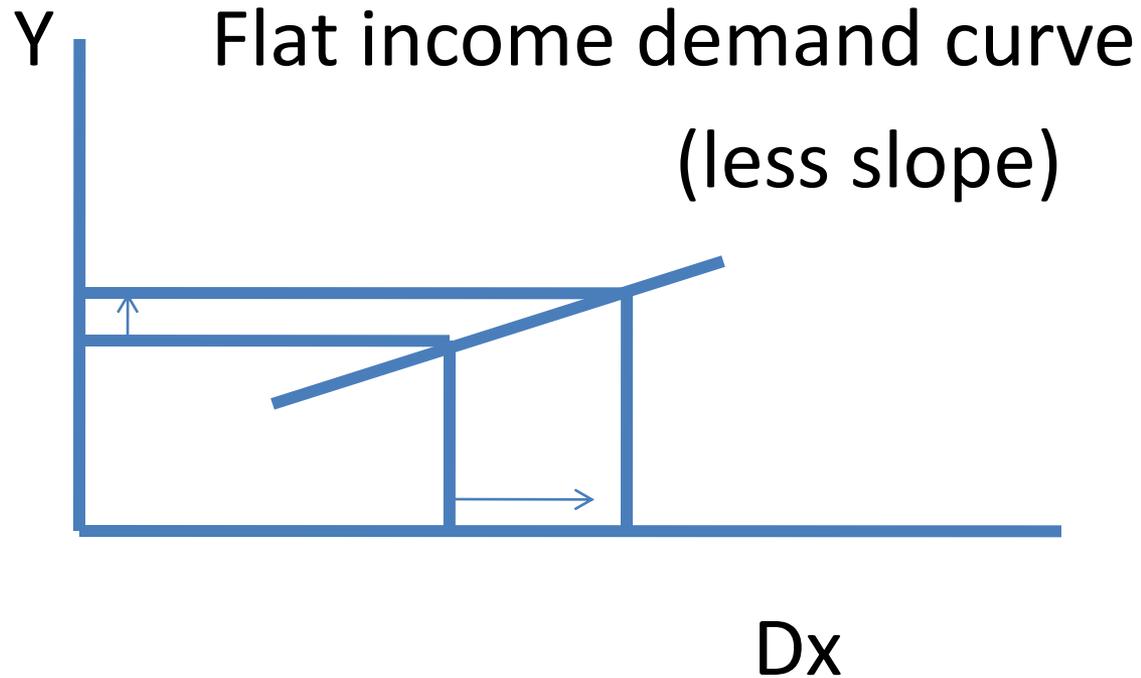
Types

- 1. $Y_{ed} > 1$
- 2. $Y_{ed} < 1$
- 3. $Y_{ed} = 1$
- 4. $Y_{ed} = 0$
- 5. $Y_{ed} -ive$



1. $Y_{ed} > 1$

Condition: $(\% \Delta Dx > \% \Delta y)$

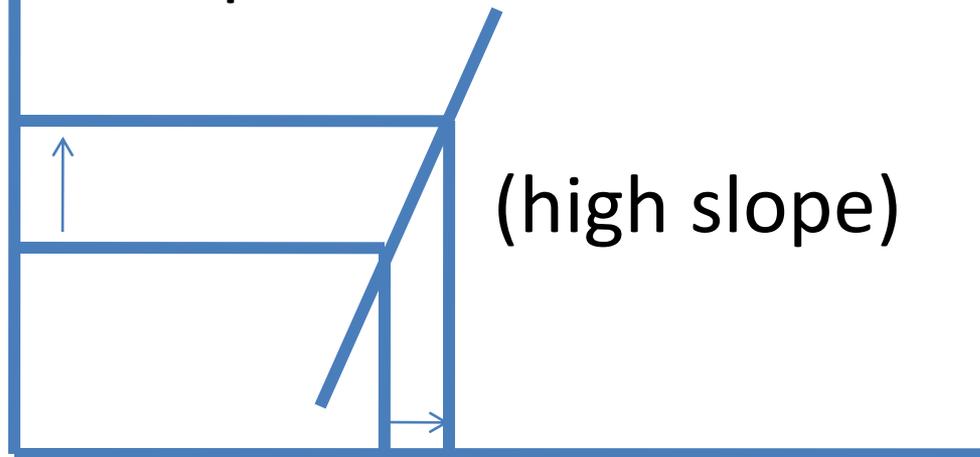


2. $Y_{ed} < 1$

Condition: ($\% \triangle Dx < \% \triangle y$)



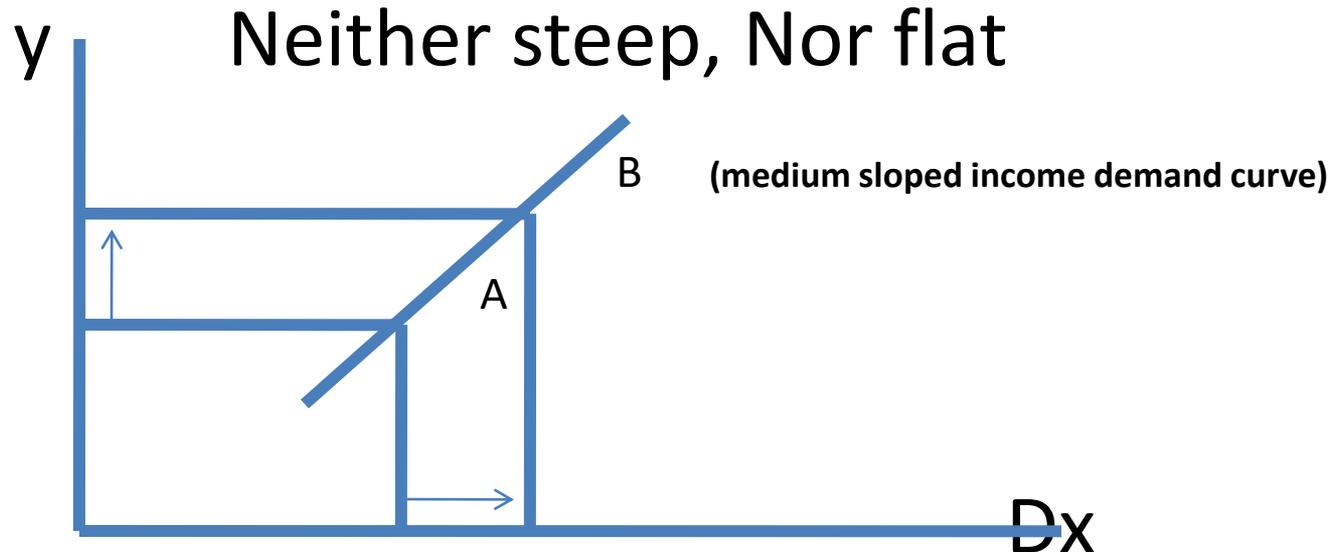
Y Steep income demand curve



Dx

3. Yed=1

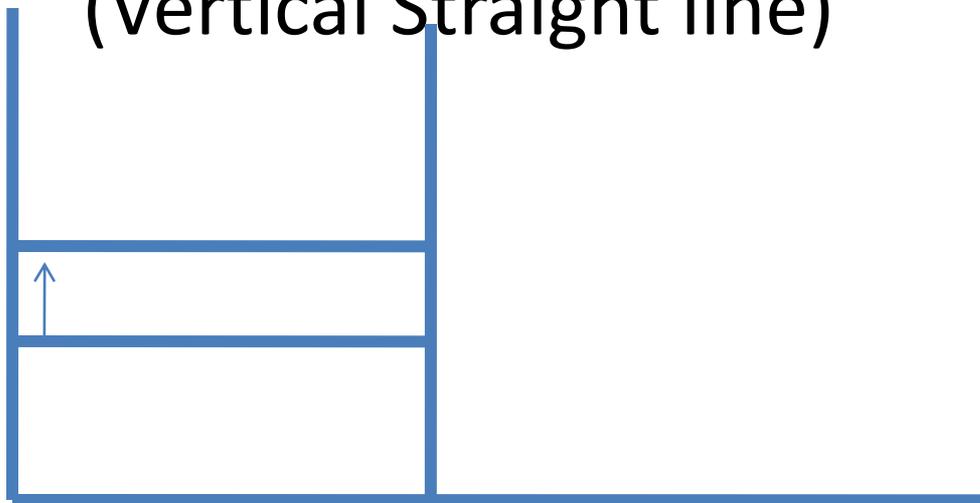
Condition: (% Δ Dx = % Δ y)



4. $Y_{ed} = 0$

Condition: (%  $Dx = 0$)

(Vertical Straight line)

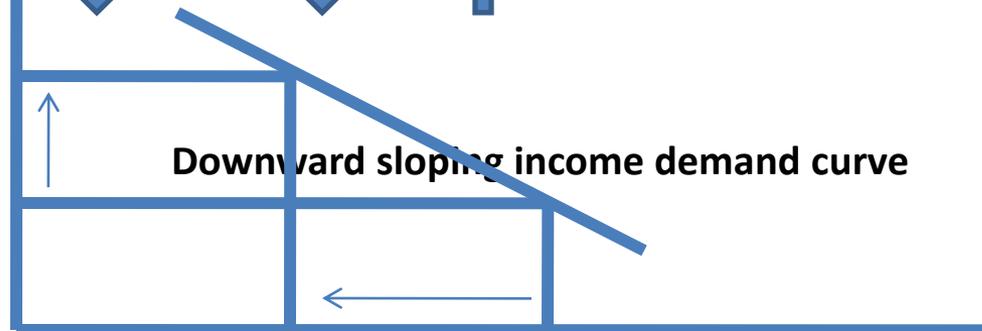




5. Yed -ive : Inferior Goods

Condition: (inverse relation between Y and Dx)

Ex. $Y \uparrow Dx \downarrow$ or $Y \downarrow Dx \uparrow$ (inferior goods)



Factors affecting Yed



- 1. Nature of the product
- 2. Level of the income
- 3. Percentage of income spent on the product

Cross Elasticity of Dema



- 1. Meaning
- 2. Formula
- 3. Types



Formula

$$\text{Ced} = \frac{\% \text{ change in } Dx}{\% \text{ change in } P_y}$$

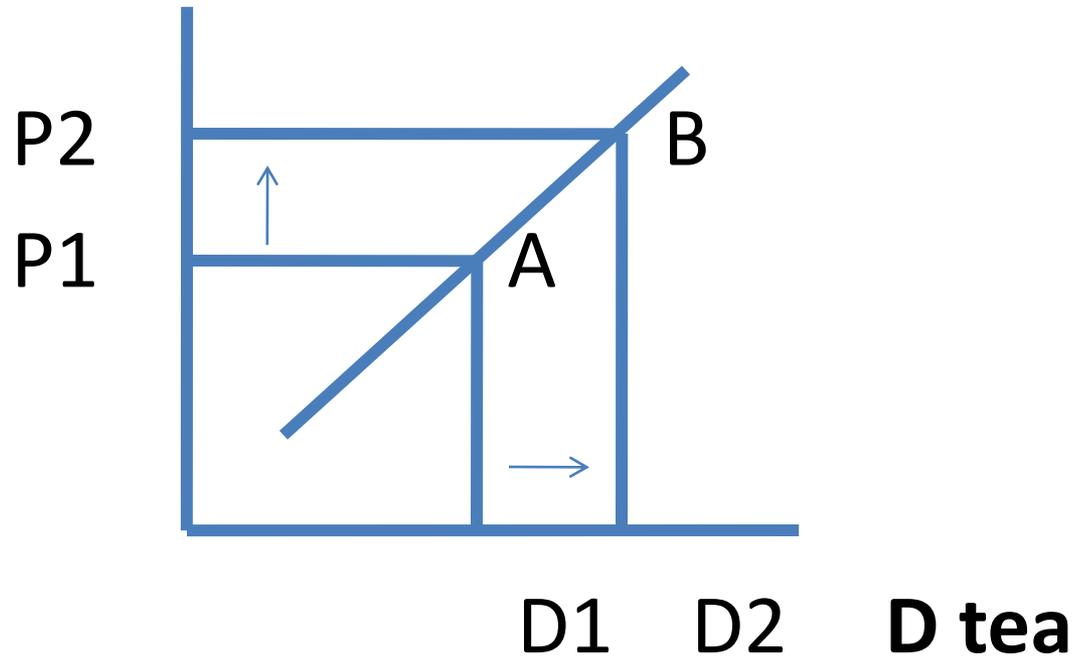
Types of Ced

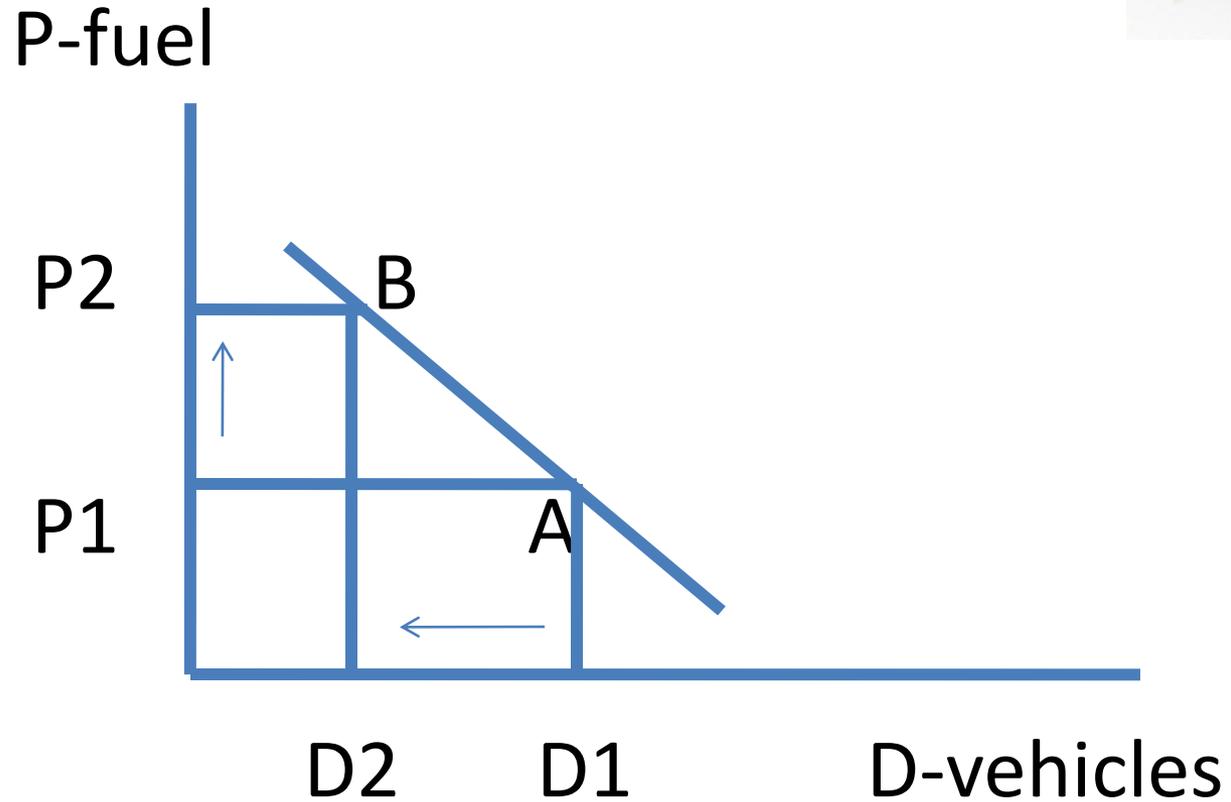
1. Ced positive- Substitutes
2. Ced negative- Complements
3. Ced zero: Independent





P coffee





- P bread



- P2 B
- P1 A
- D1 D furniture

