

DATE: \_\_\_\_\_

NAME: \_\_\_\_\_

**CHAPTER 4: DEMAND AND ELASTICITY WORKSHEET**Definition of Elasticity of Demand:

It is a measure of how responsive quantity is to a price change. The **higher** the measure then the **more responsive** consumers will be to a change in price. The **lower** the measure then the **less responsive** consumers will be to a change in price.

- The elasticity of demand is \_\_\_\_\_ in the \_\_\_\_\_ run because consumers have **MORE** time to adjust.
- An Elasticity of 1.0 or greater = \_\_\_\_\_ demand
- An Elasticity of exactly 1.0 = \_\_\_\_\_ demand
- An Elasticity of between 0 and 1.0 = \_\_\_\_\_ demand
- Use the Elasticity formula to calculate values of Elasticity for all the situations below. Change negatives to positives.

STEP 1: The formula used to calculate the percentage change in quantity demanded is:

$$[\text{QDemand(NEW)} - \text{QDemand(OLD)}] / \text{QDemand(OLD)}$$

STEP 2: The formula used to calculate the percentage change in price is:

$$[\text{Price(NEW)} - \text{Price(OLD)}] / \text{Price(OLD)}$$

STEP 3: (STEP 1) / (STEP 2)

Price		Quantity		STEP 1 % change in quantity demanded	STEP 2 % change in price	STEP 3 Price Elasticity of Demand
Initial	New	Initial	New			
25	30	100	40			1. _____
40	70	120	90			2. _____
200	220	80	64			3. _____
50	75	150	135			4. _____

In each case identify whether you would describe it as **elastic** / **unit elastic** / **inelastic**

- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_