

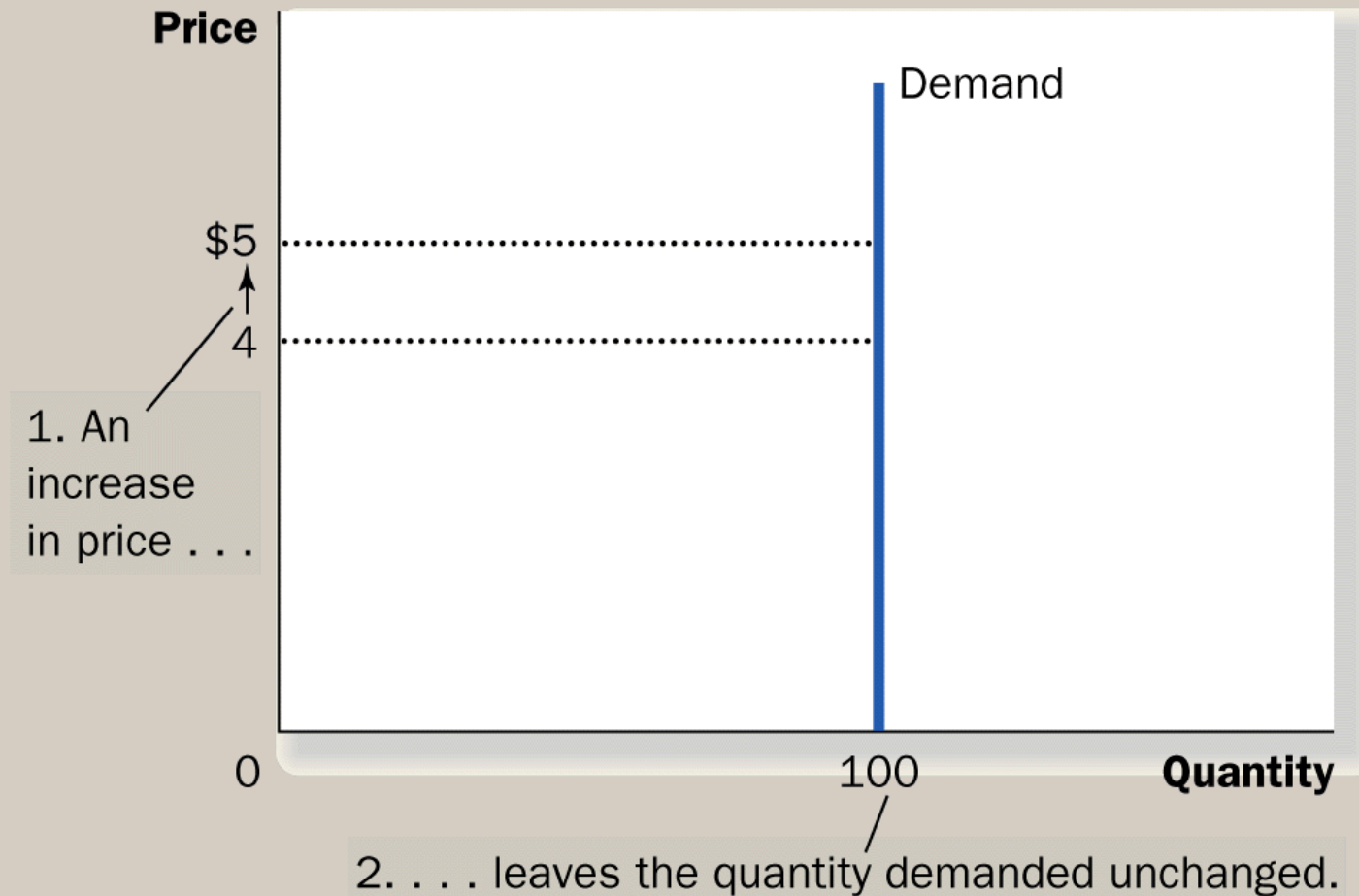


# 5

## Elasticity and Its Application

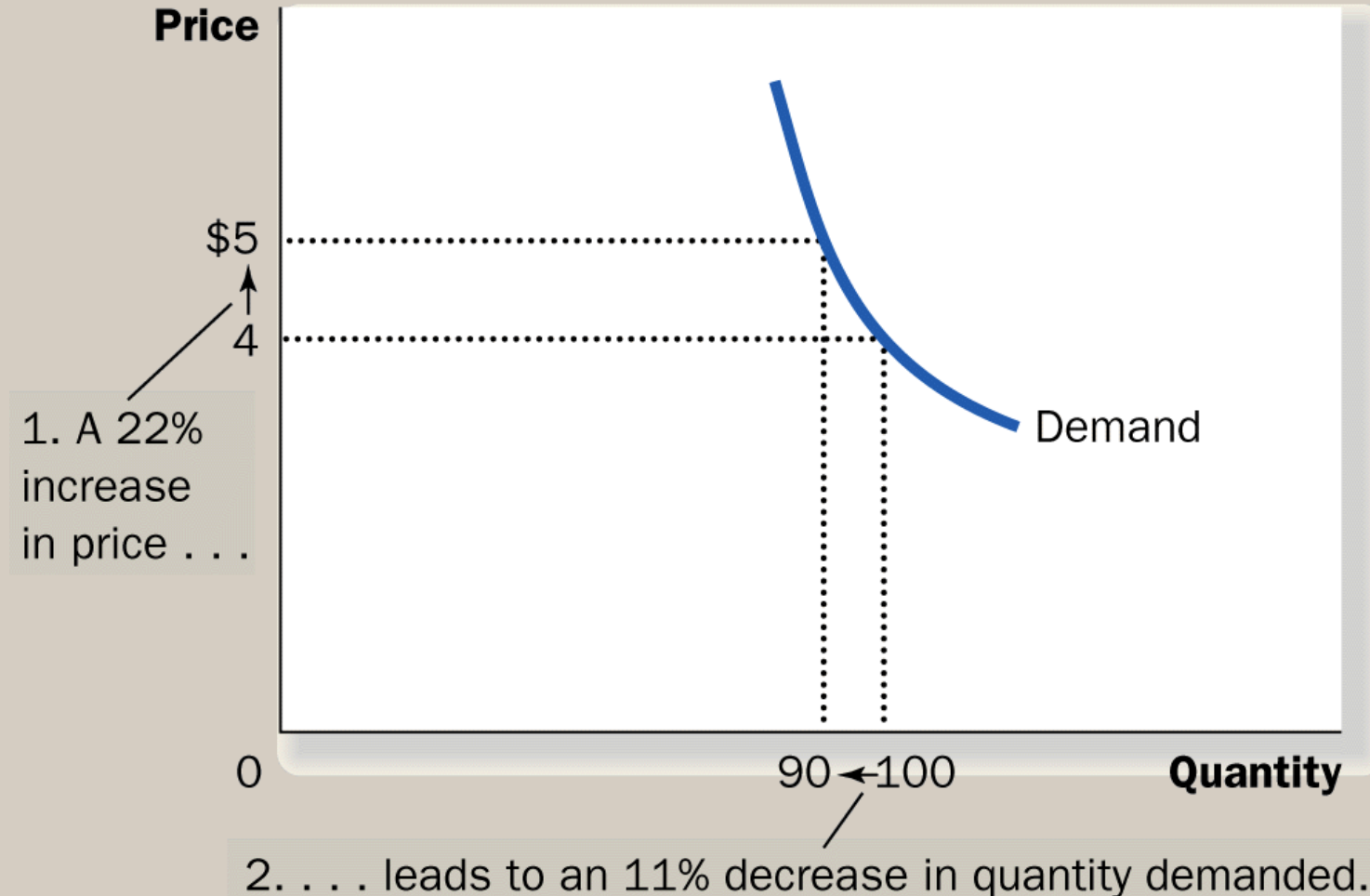
# Figure 1a The Price Elasticity of Demand

**(a) Perfectly Inelastic Demand: Elasticity Equals 0**



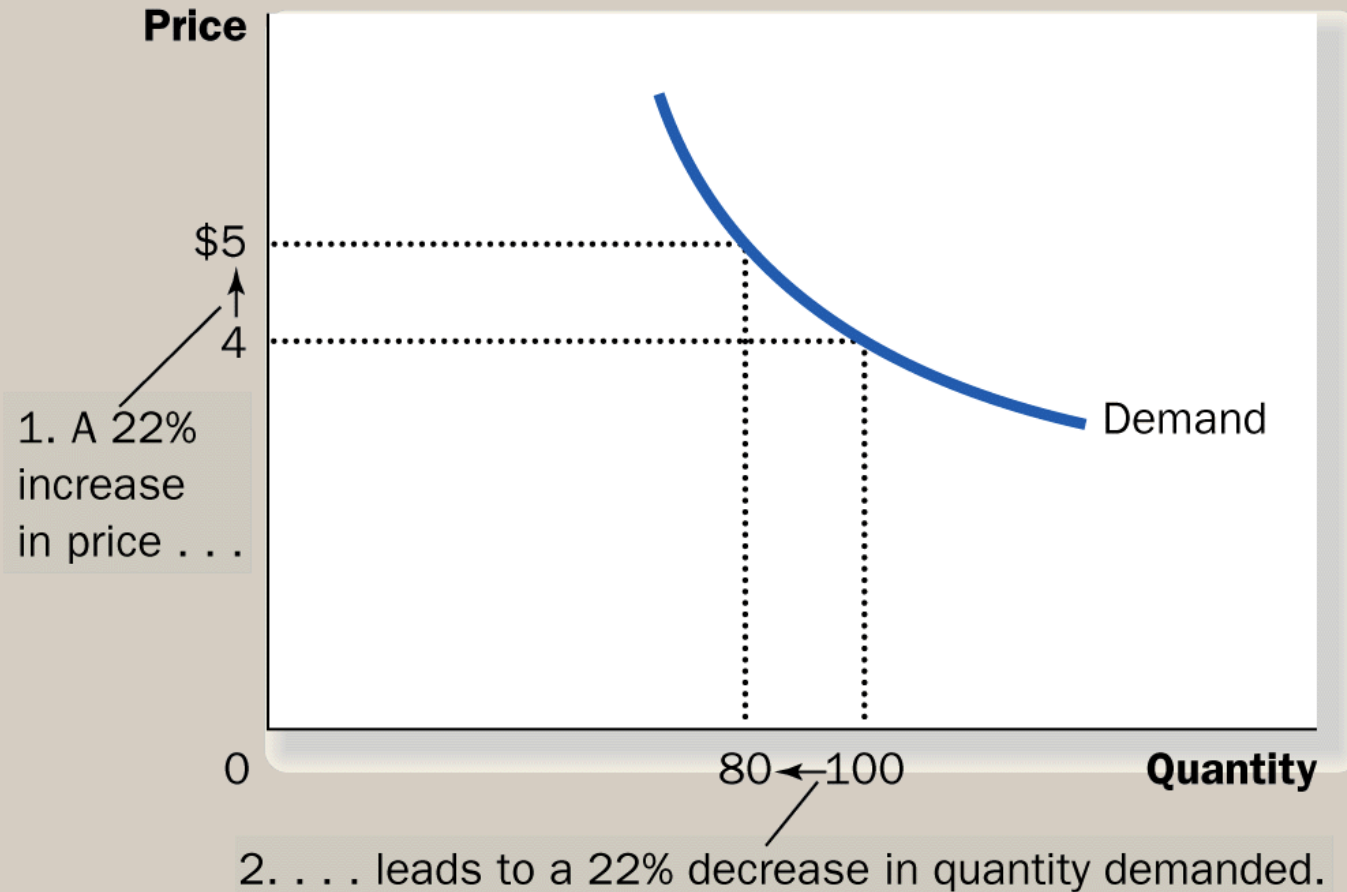
# Figure 1b The Price Elasticity of Demand

## (b) Inelastic Demand: Elasticity Is Less Than 1



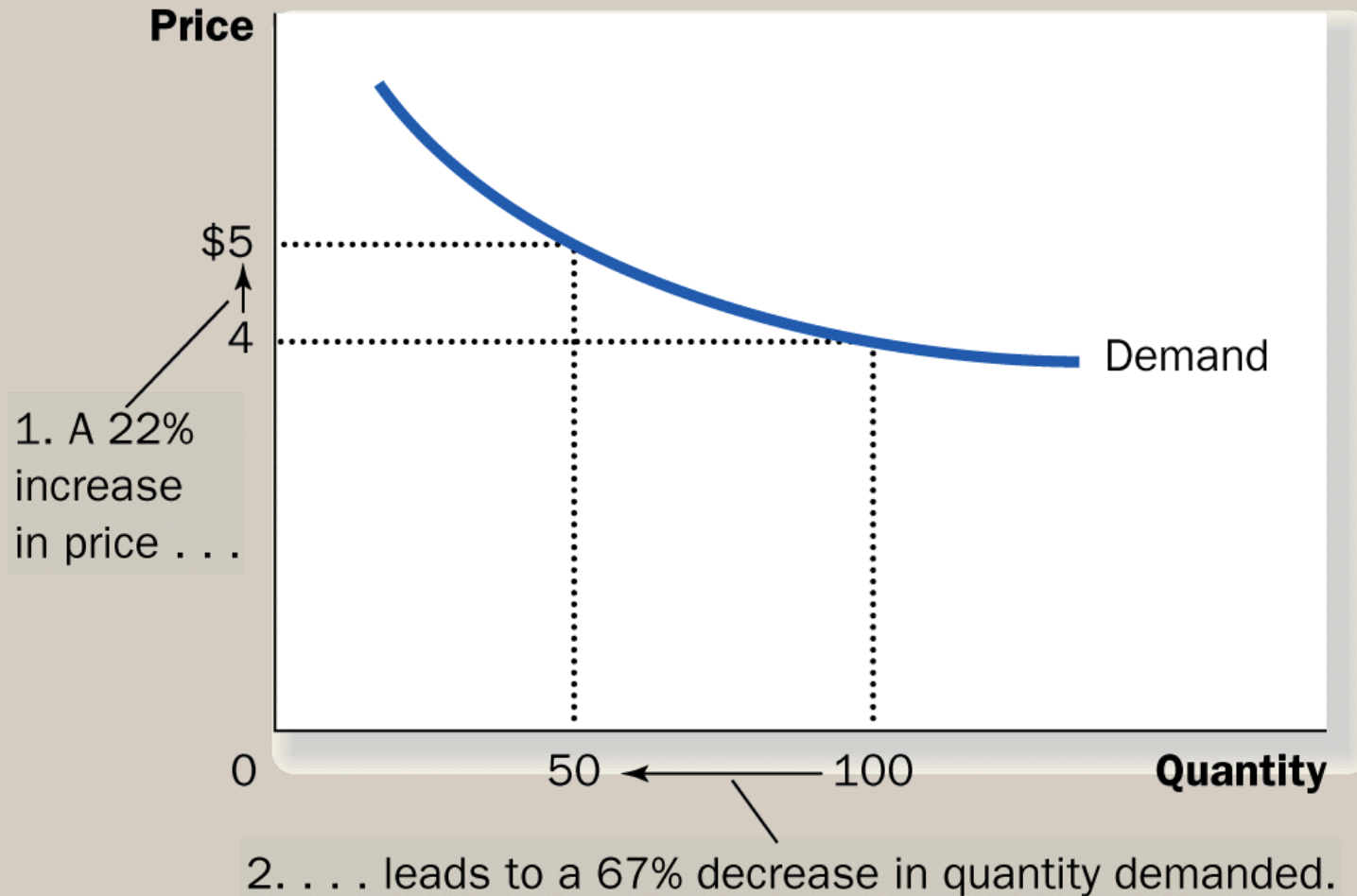
# Figure 1c The Price Elasticity of Demand

**(c) Unit Elastic Demand: Elasticity Equals 1**



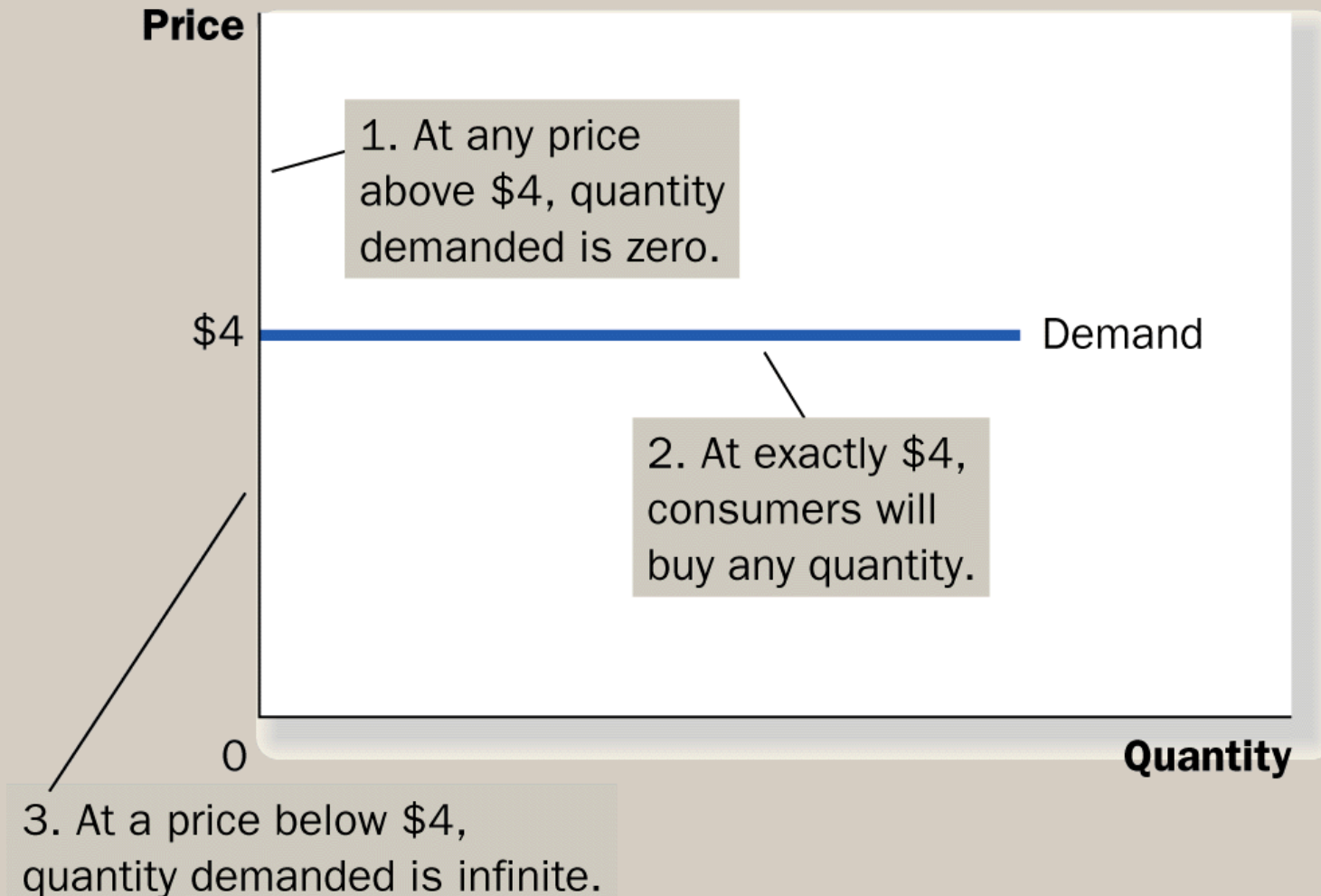
# Figure 1d The Price Elasticity of Demand

**(d) Elastic Demand: Elasticity Is Greater Than 1**

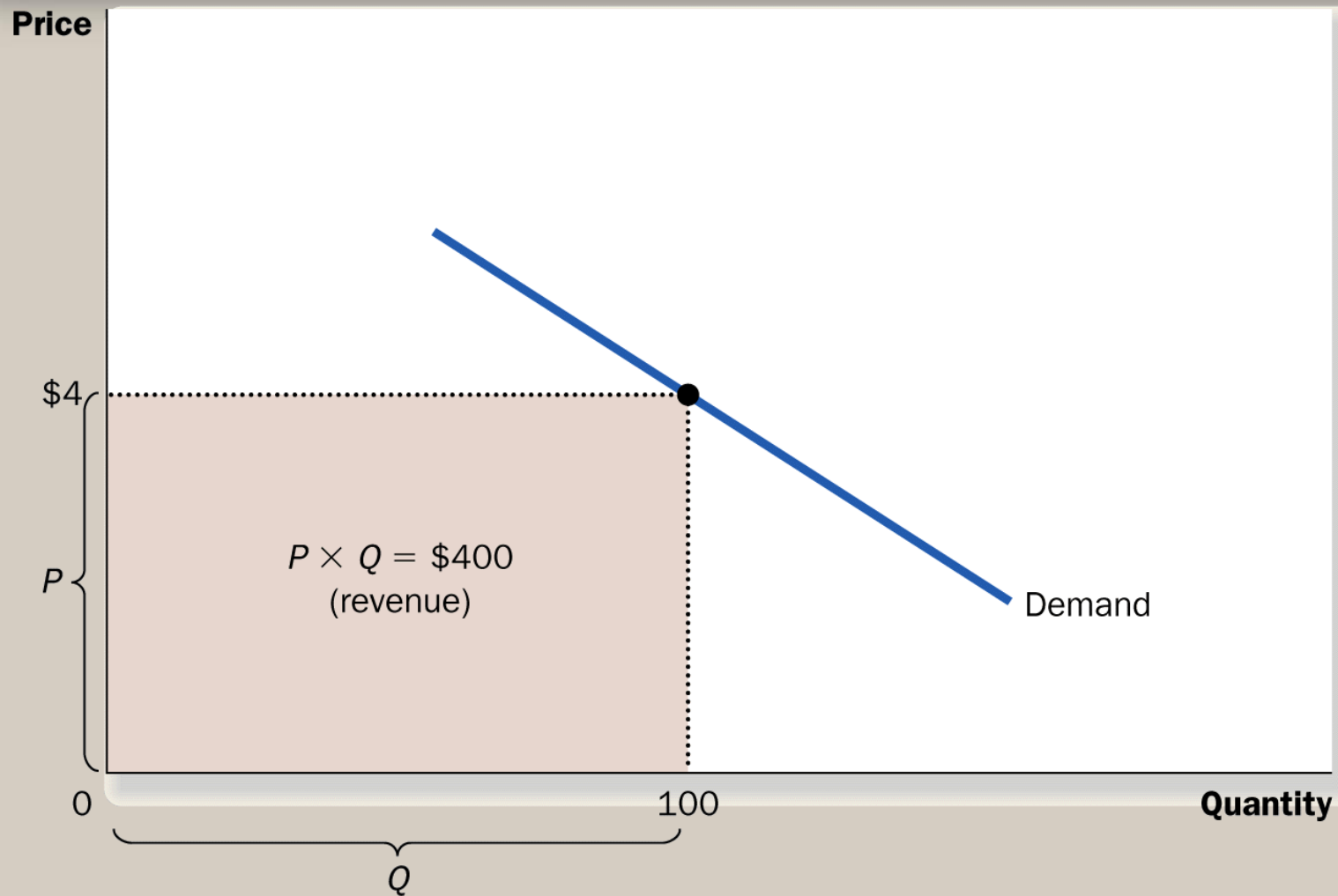


# Figure 1e The Price Elasticity of Demand

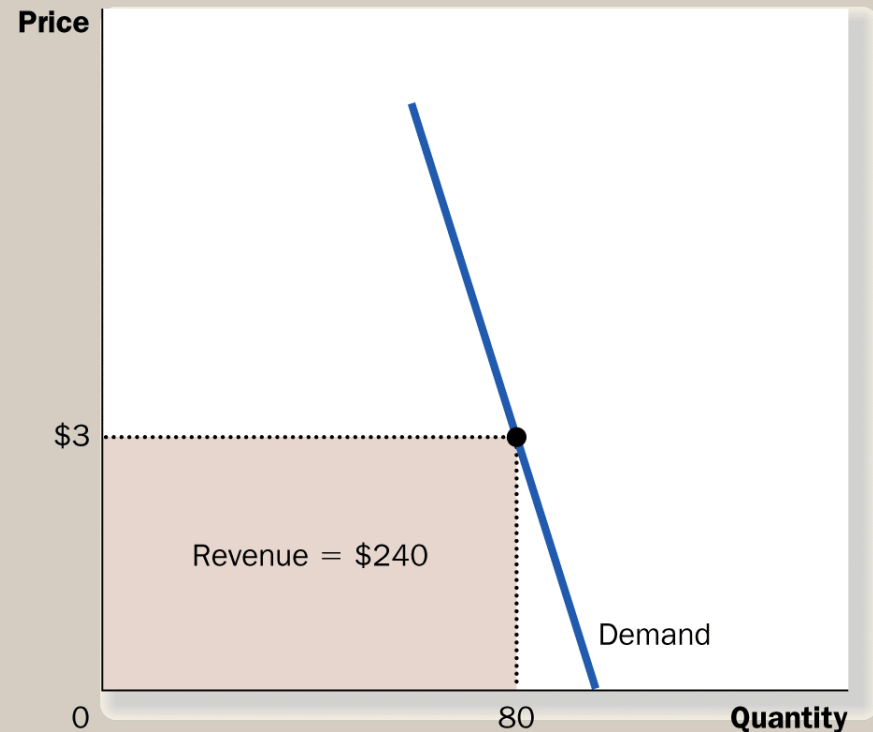
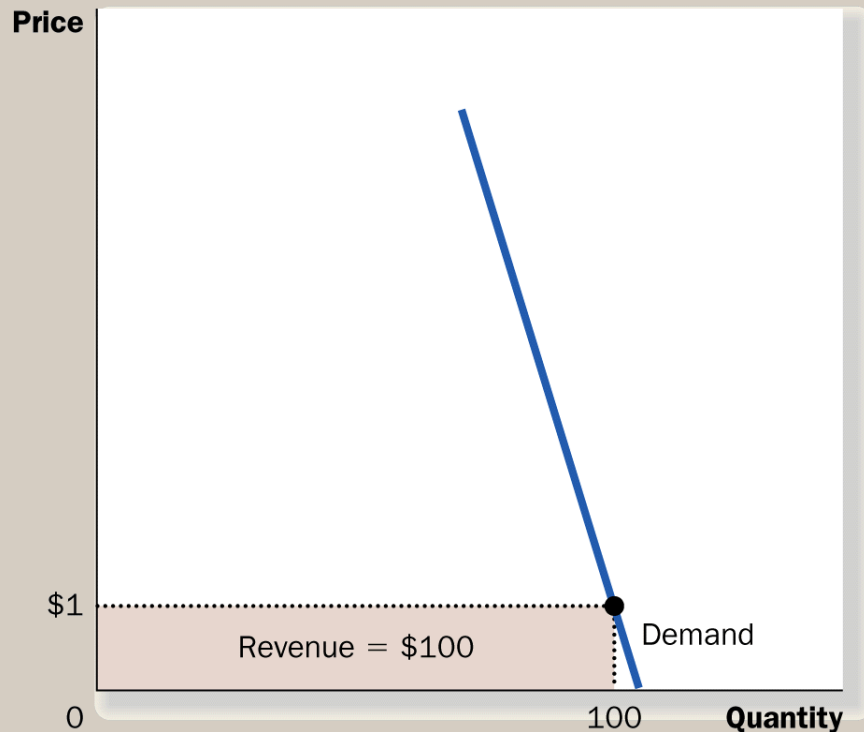
## (e) Perfectly Elastic Demand: Elasticity Equals Infinity



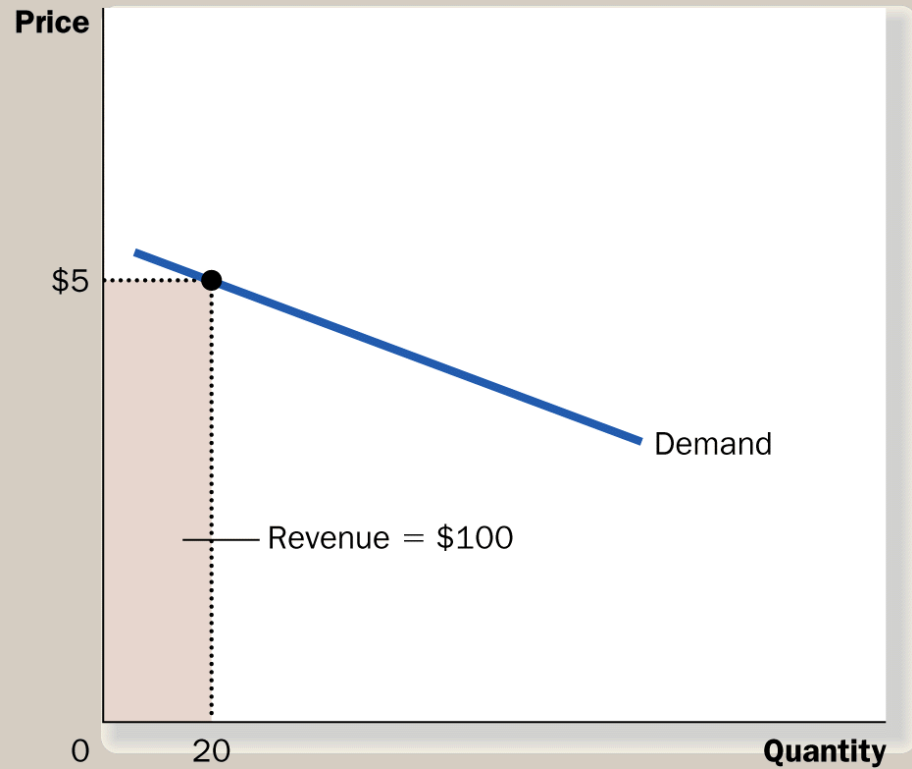
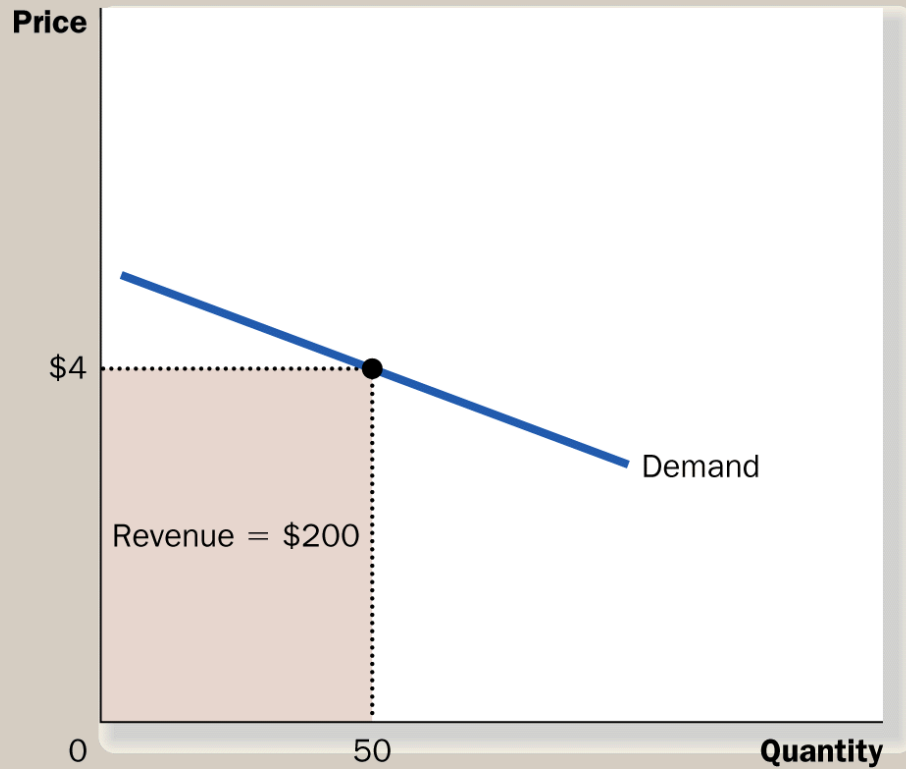
## Figure 2 Total Revenue



# Figure 3 How Total Revenue Changes When Price Changes: Inelastic Demand



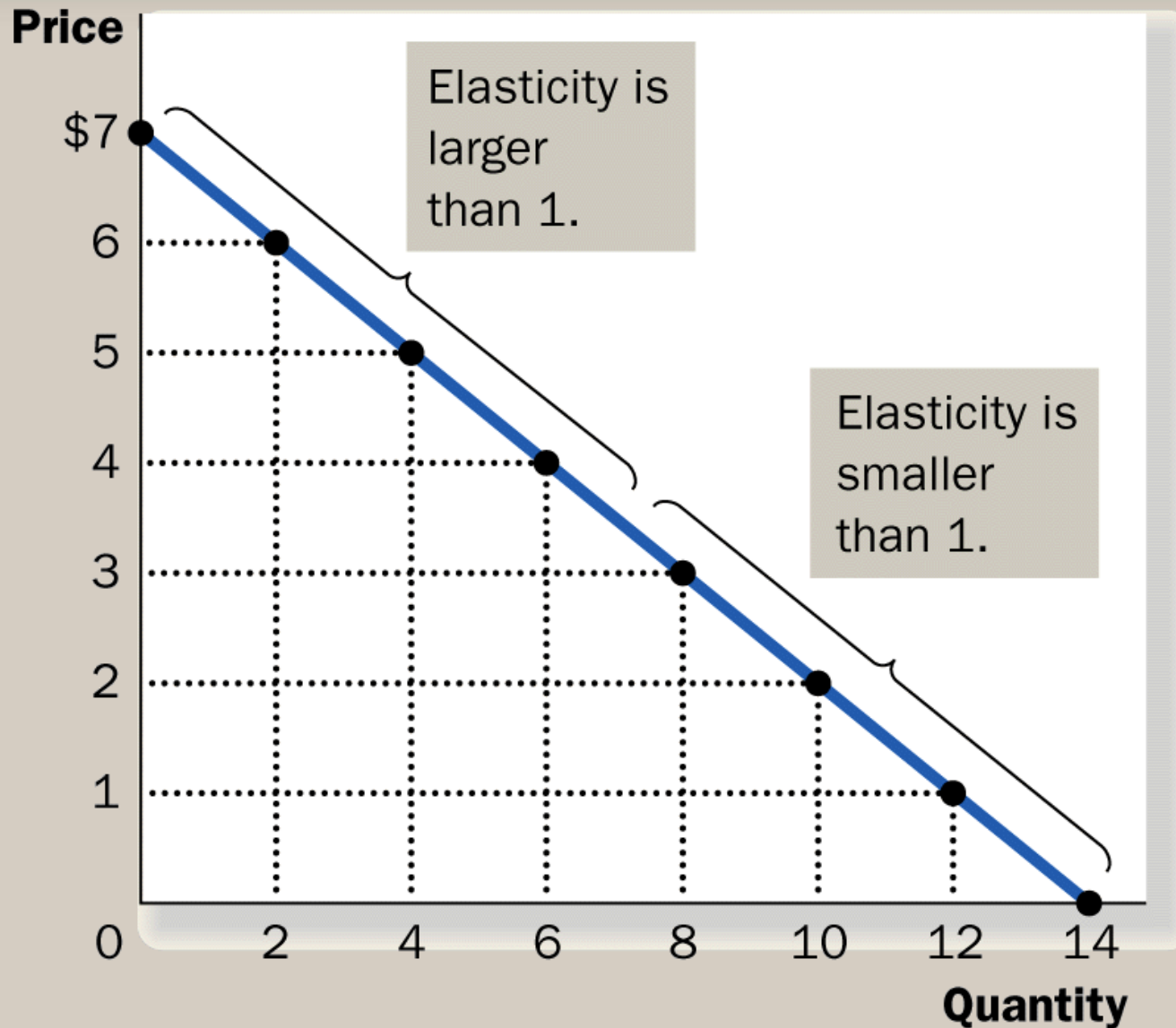
# Figure 4 How Total Revenue Changes when Price Changes: Elastic Demand



# Figure 5 Elasticity of a Linear Demand Curve

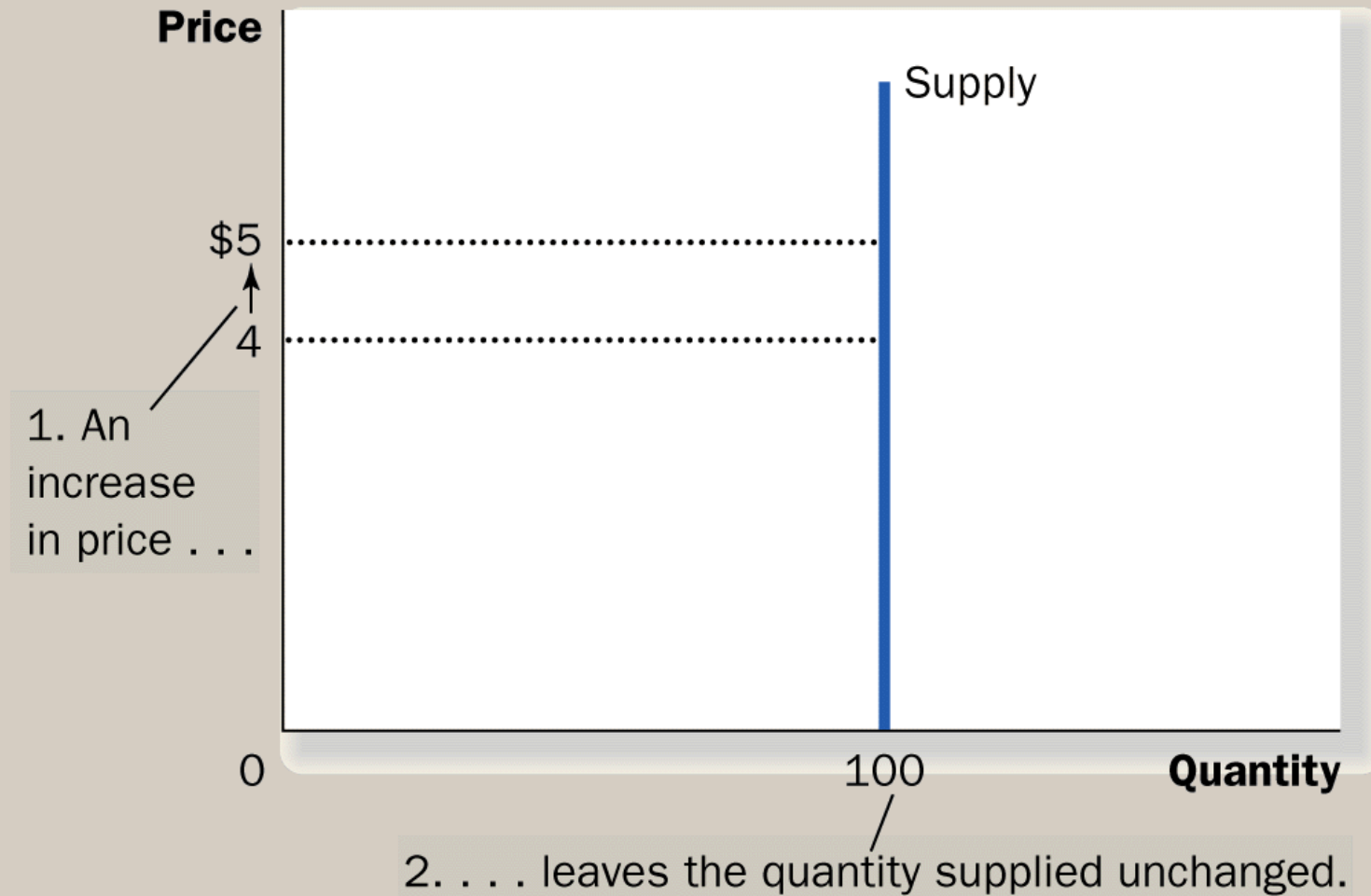
Price	Quantity	Total Revenue (Price × Quantity)	Percent Change in Price	Percent Change in Quantity	Elasticity	Description
\$7	0	\$ 0				
6	2	12	15	200	13.0	Elastic
5	4	20	18	67	3.7	Elastic
4	6	24	22	40	1.8	Elastic
3	8	24	29	29	1.0	Unit elastic
2	10	20	40	22	0.6	Inelastic
1	12	12	67	18	0.3	Inelastic
0	14	0	200	15	0.1	Inelastic

## Figure 5 Elasticity of a Linear Demand Curve



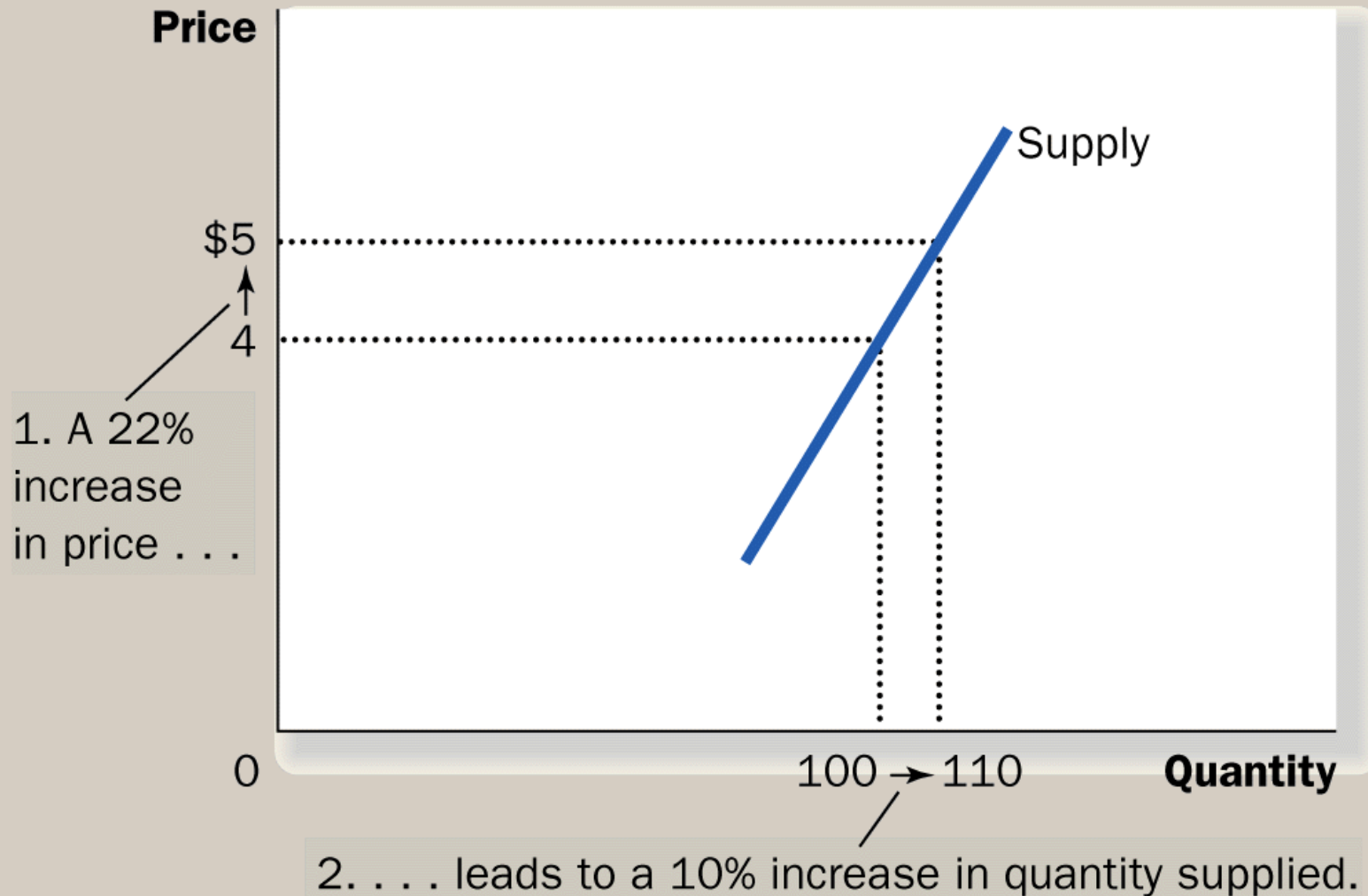
# Figure 6a The Price Elasticity of Supply

**(a) Perfectly Inelastic Supply: Elasticity Equals 0**



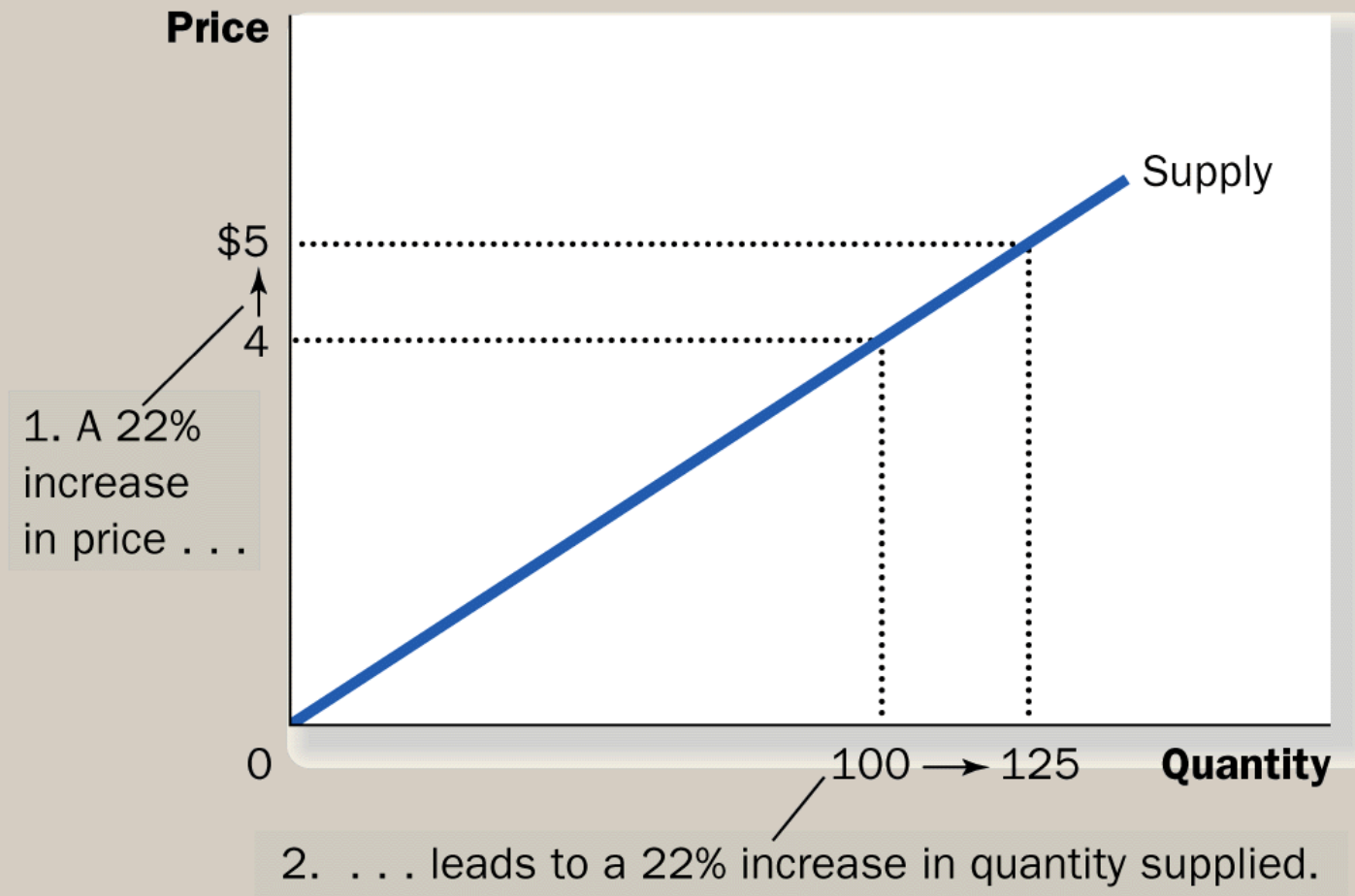
# Figure 6b The Price Elasticity of Supply

## (b) Inelastic Supply: Elasticity Is Less Than 1



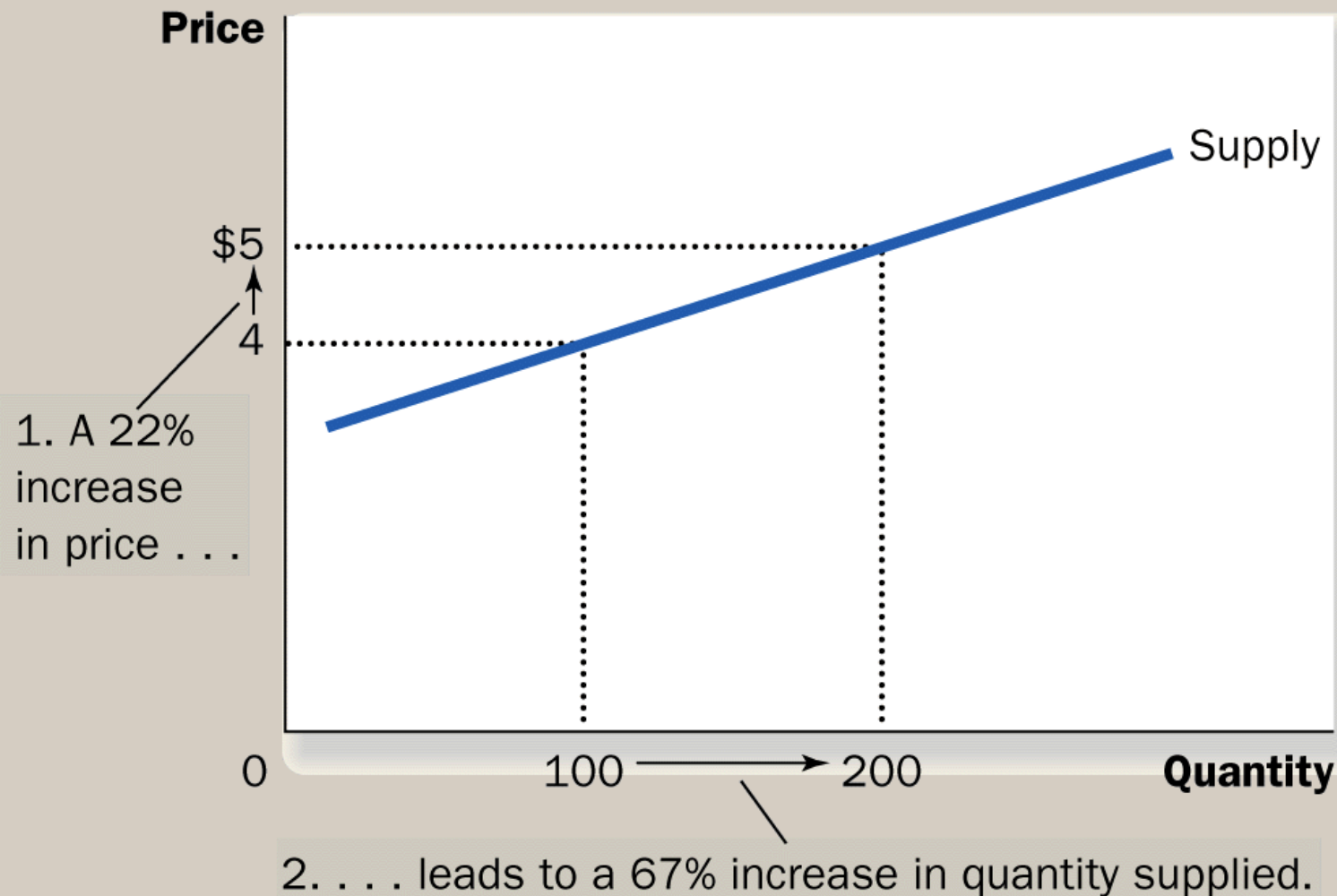
# Figure 6c The Price Elasticity of Supply

(c) Unit Elastic Supply: Elasticity Equals 1



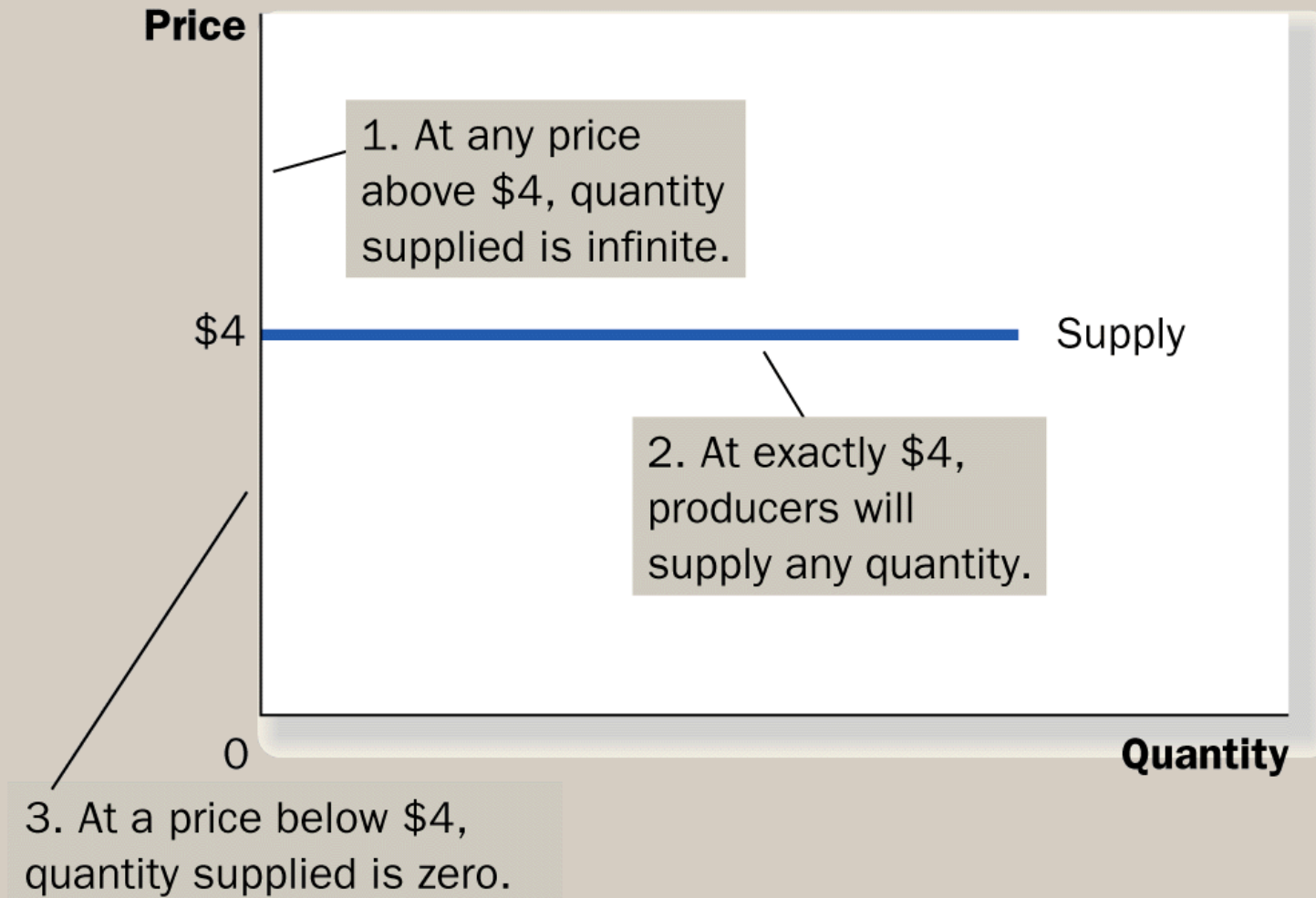
# Figure 6d The Price Elasticity of Supply

**(d) Elastic Supply: Elasticity Is Greater Than 1**

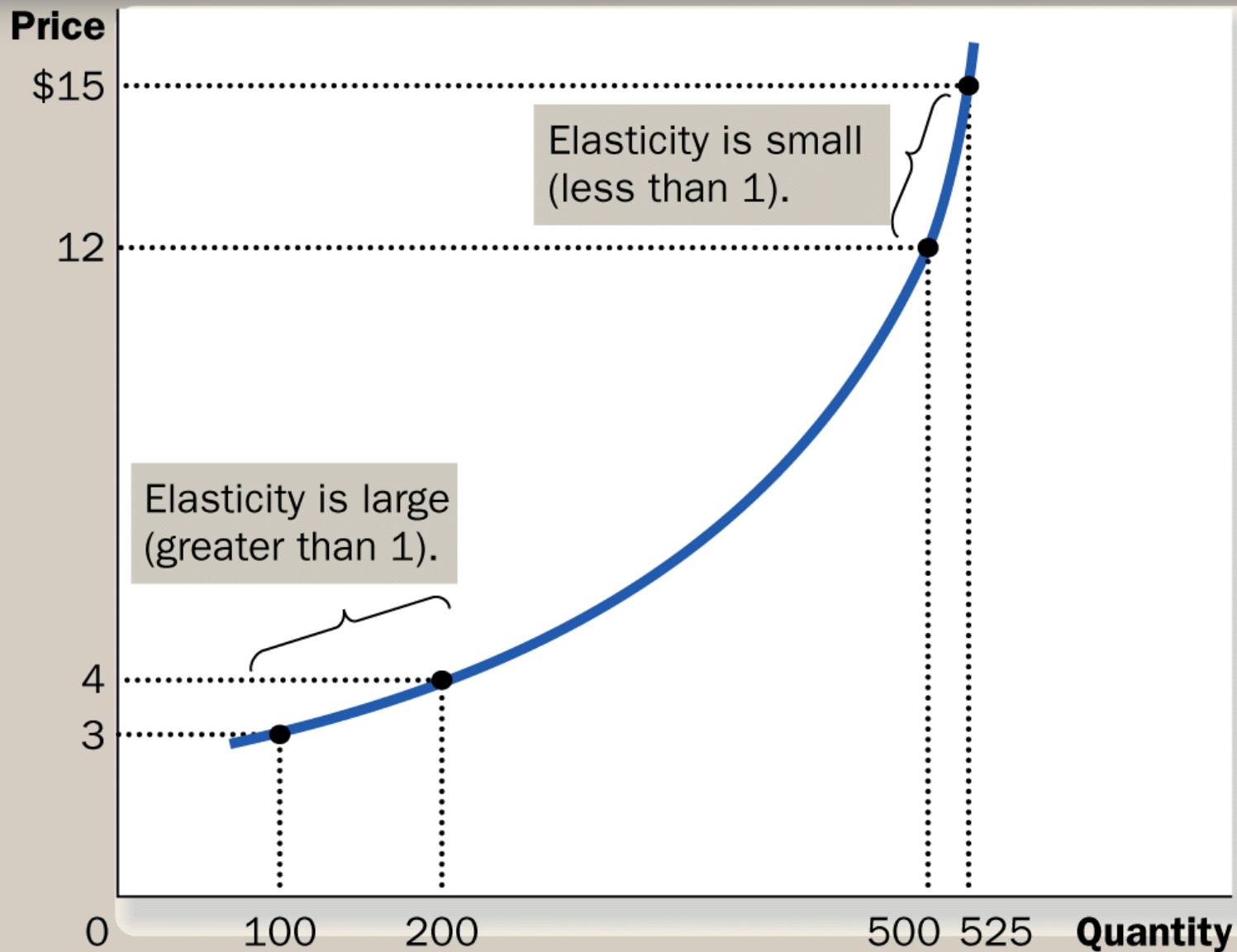


# Figure 6e The Price Elasticity of Supply

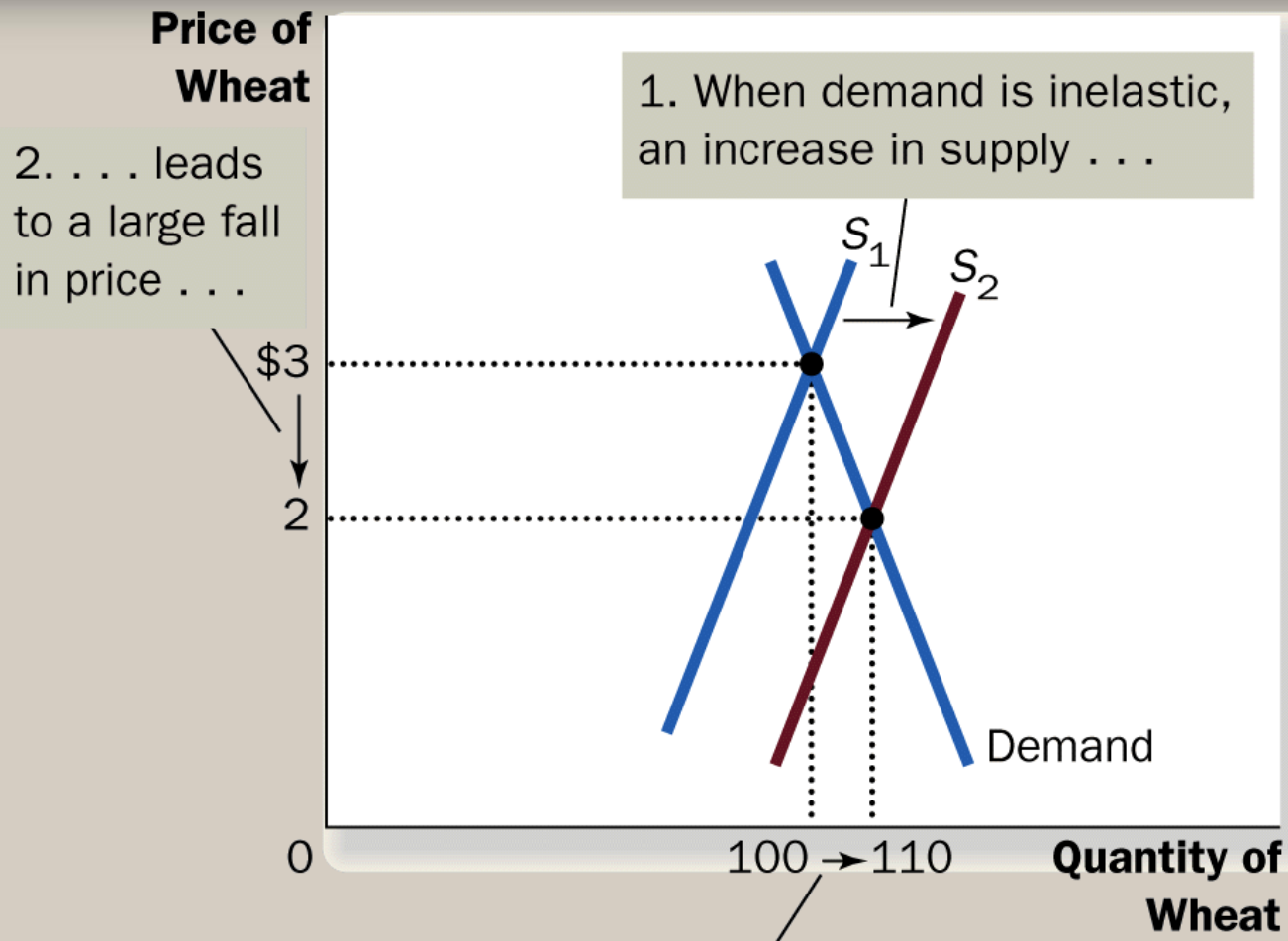
## (e) Perfectly Elastic Supply: Elasticity Equals Infinity



# Figure 7 How the Price Elasticity of Supply Can Vary



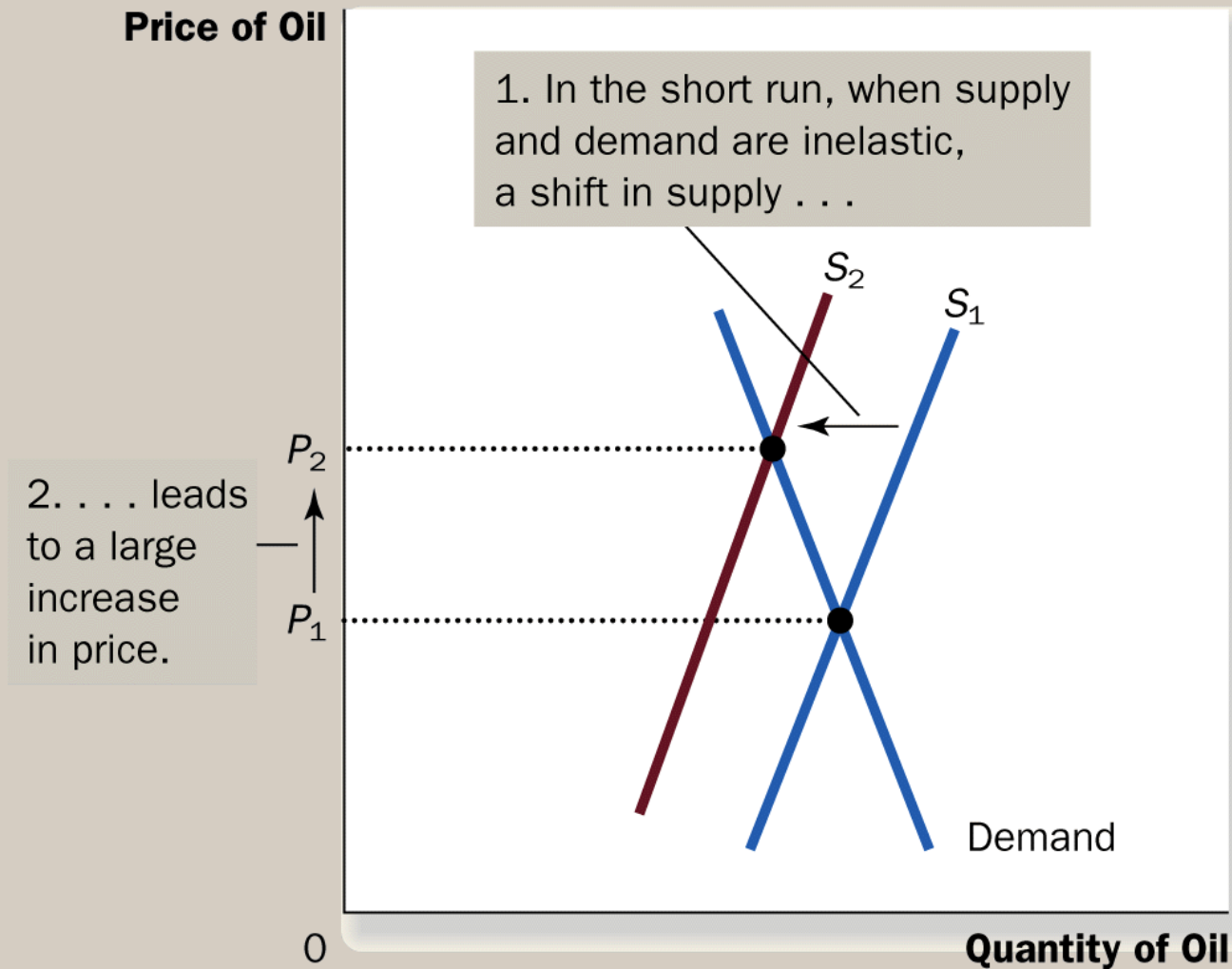
# Figure 8 An Increase in Supply in the Market for Wheat



3. . . . and a proportionately smaller increase in quantity sold. As a result, revenue falls from \$300 to \$220.

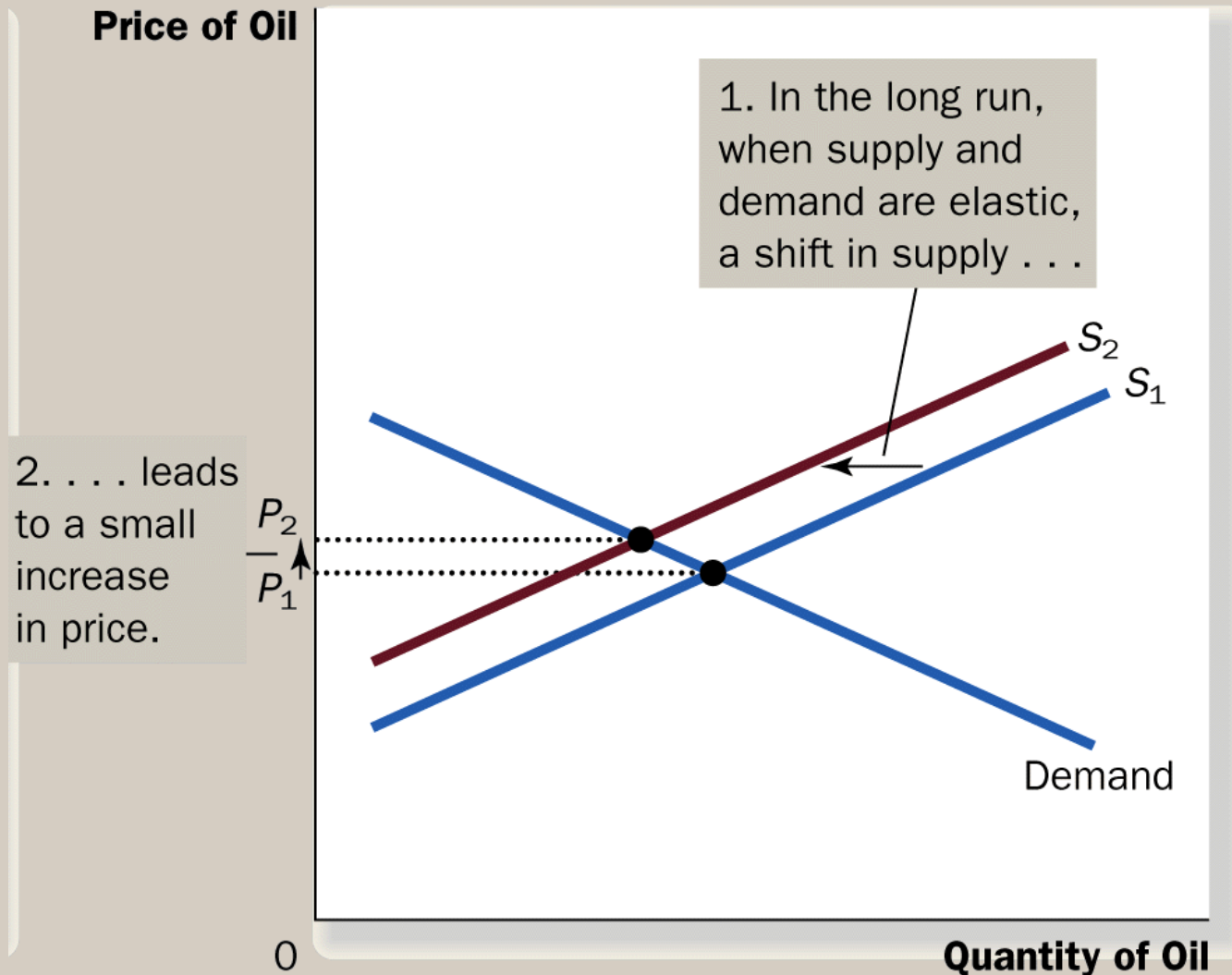
# Figure 9a A Reduction in Supply in the World Market for Oil

(a) The Oil Market in the Short Run



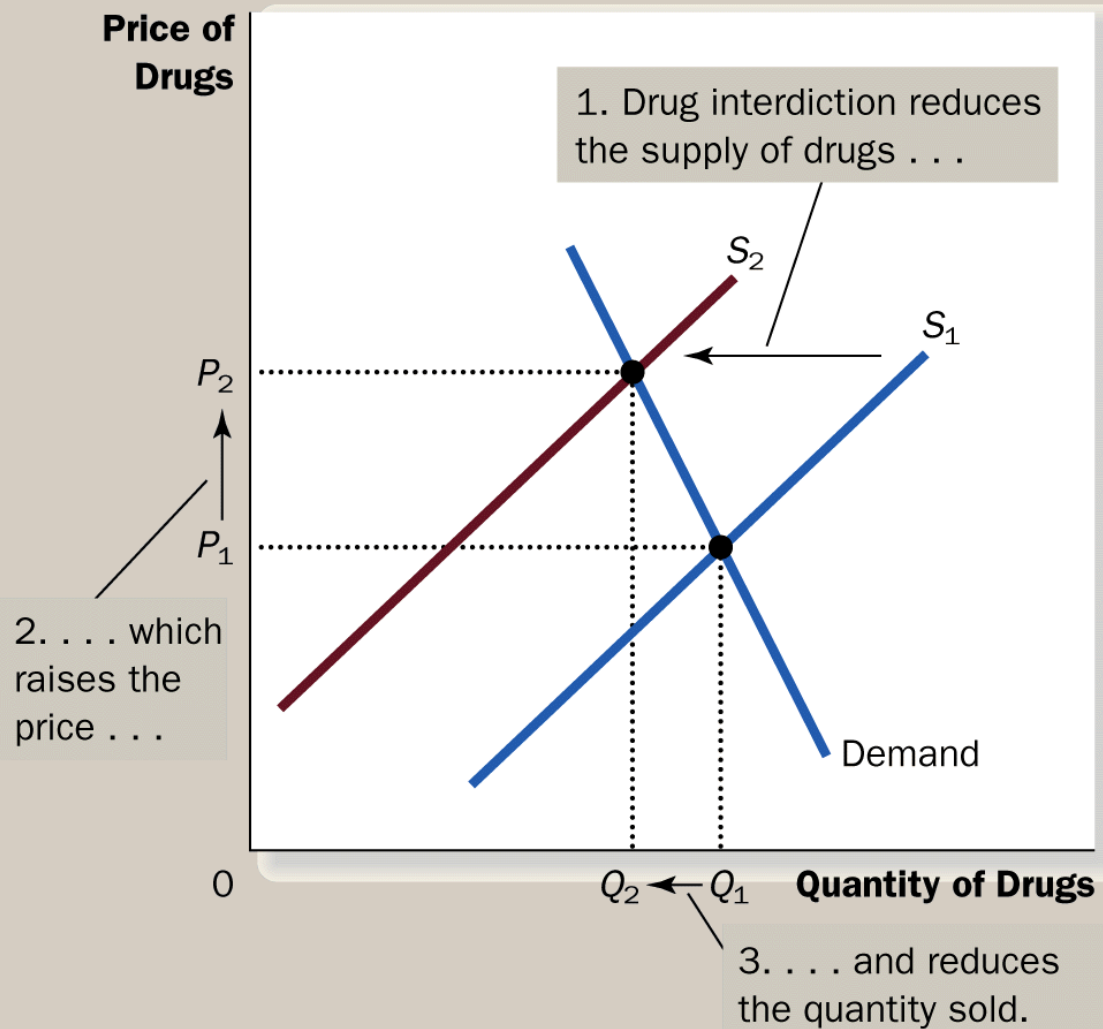
# Figure 9b A Reduction in Supply in the World Market for Oil

(b) The Oil Market in the Long Run



# Figure 10a Policies to Reduce the Use of Illegal Drugs

(a) Drug Interdiction



# Figure 10b Policies to Reduce the Use of Illegal Drugs

(b) Drug Education

