

5.6: Introduction to Calculating Price Elasticity

What you'll learn to do: explain the price elasticity of demand and price elasticity of supply, and compute both using the midpoint method



Remember, elasticity measures the responsiveness of one variable to changes in another variable. In the last section we looked at price elasticity of demand, or how much a change in price affects the quantity demanded. In this section we will dig deeper by learning how to calculate elasticity using the midpoint method. We'll also introduce the idea of elasticity of supply. Supply can also be elastic, since a change in price will influence the quantity supplied.

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