

5.3: Introduction to Elasticity

What you'll learn to do: explain the concept of elasticity



Elasticity is an economics concept that measures the responsiveness of one variable to changes in another variable. For example, if you raise the price of your product, how will that affect your sales numbers? The variables in this question are *price* and *sales numbers*. Elasticity explains how much one variable, say sales numbers, will change in response to another variable, like the price of the product.

Mastering this concept resembles learning to ride a bike: it's tough at first, but when you get it, you won't forget. A rookie mistake is learning the calculations of elasticity but failing to grasp the idea. Make sure you don't do this! First take time to understand the concepts—then the calculations can be used simply to explain them in a numerical way.

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