



Elasticity of Supply

Chapter 5 Section 4

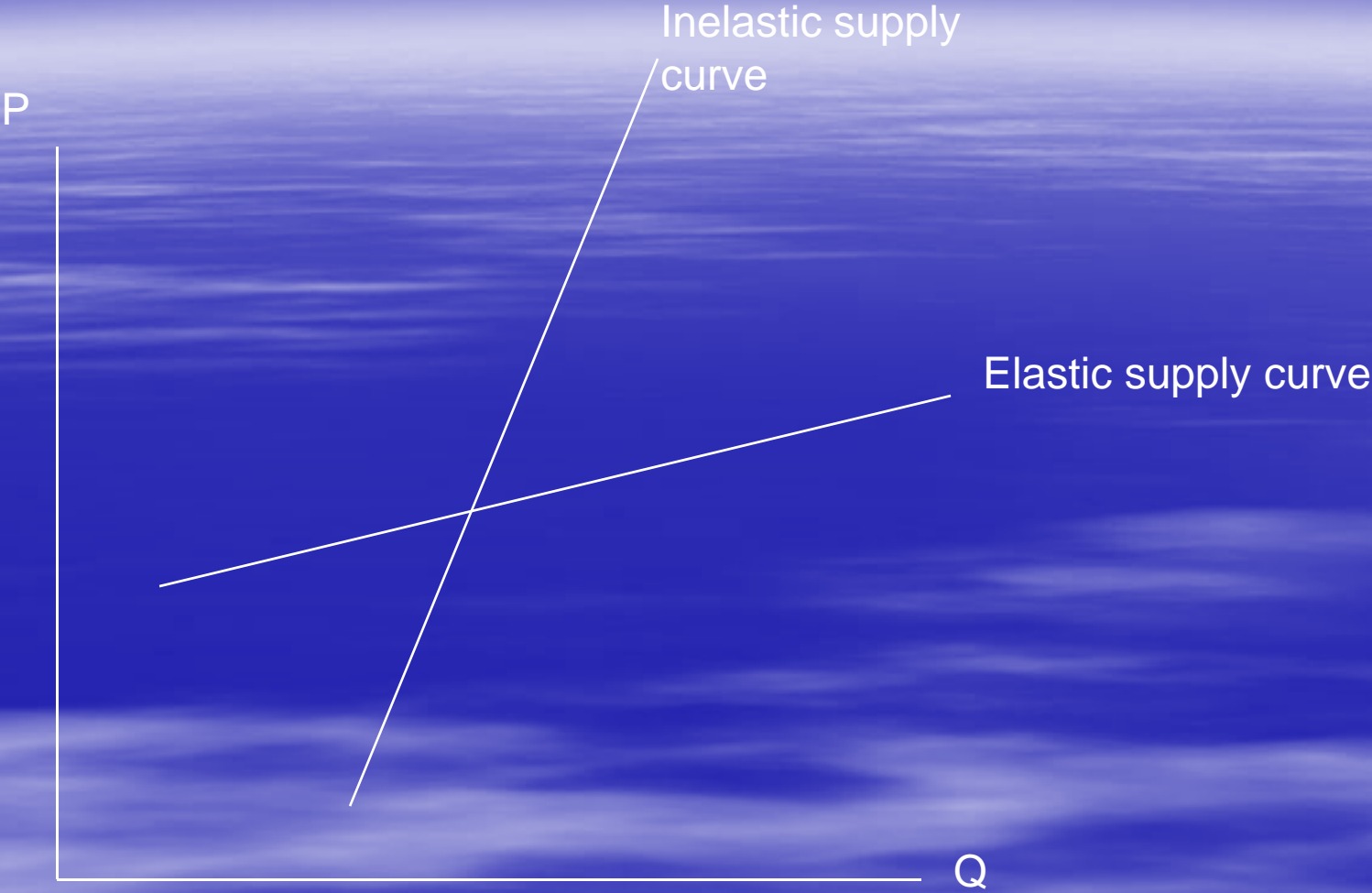
Elasticity of Supply

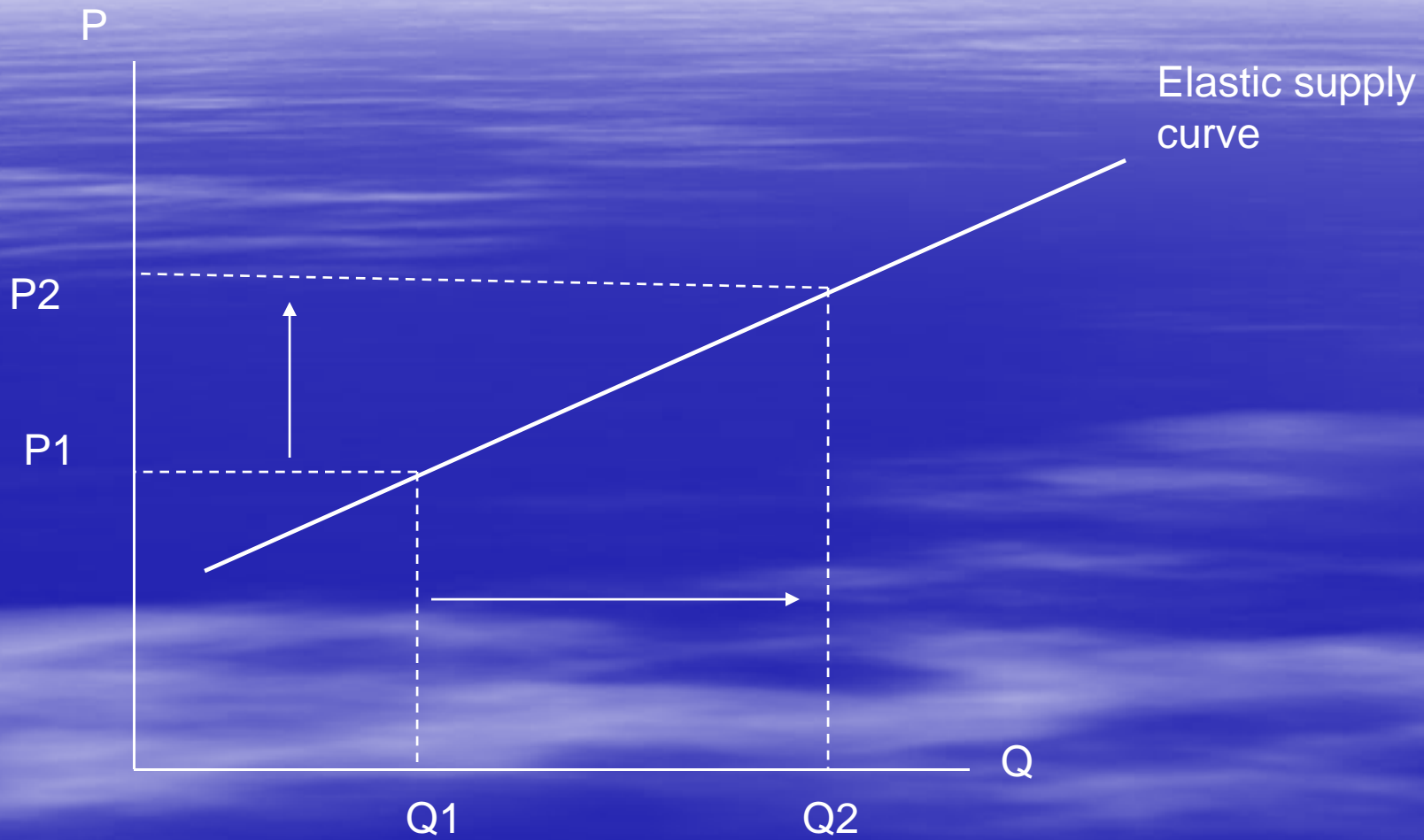
- Measure of how responsive producers are to price changes in the marketplace



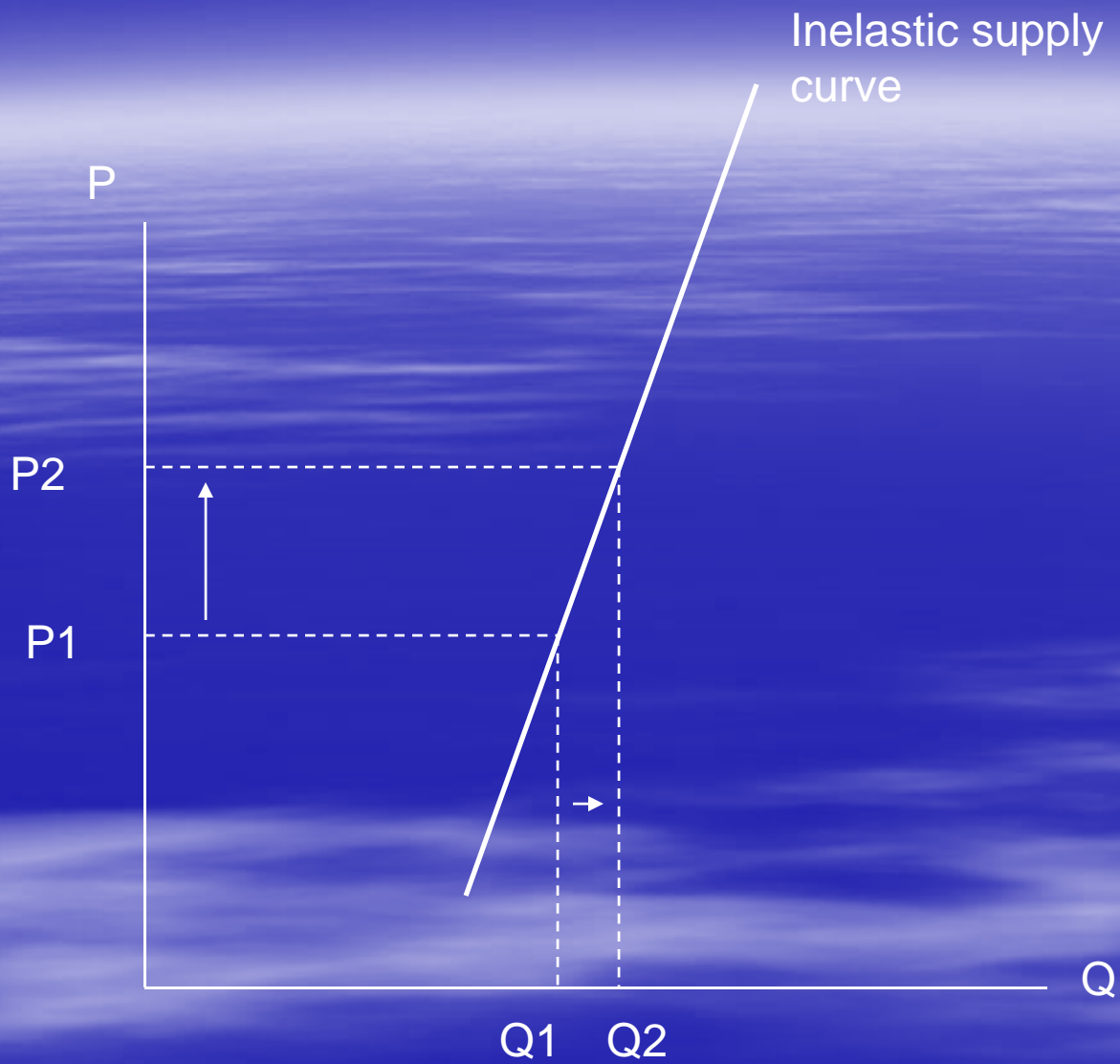
Elastic and Inelastic Supply Curves

- Graph an example of both.





An increase in P causes a big change in Q_S



An increase in P causes a small change in Q_S

All suppliers want to have elastic supply. Why is it sometimes difficult?

- It's not always easy to change production to respond to price changes.
- If resources are cheap, easy to get, and production is simple, then S will be elastic
- If production is complicated, resources limited and expensive, the S will be inelastic

- However, all S is elastic with time.
- Producers will increase S if given enough time, in response to a change in price.

Inelastic Supply

- Cars
- Crops
- Airline tickets
- Dairy products

Elastic supply

- Cookies
- T-shirts
- Paper