ELASTICITY OF DEMAND AND ITS MEASUREMENT

Defination of elasticity of demand :-

Elasticity of demand or price elasticity of demand is the ratio of proportionate chang in the quantity demanded of a commodity to a given proportionate change in its price. It is the ratio of relate change in quantity to a relative change in price.
According to marshall the elasticity (or responsiveness) of demand in a market is great or small according as the amount demanded increase much or little for a given fall in price, or diminishes much or little for a given rise in price.

$$\text{Elasticity of demand} = \frac{\text{Proportionate change in Quantity demanded}}{\text{Proportionate change in price}}$$

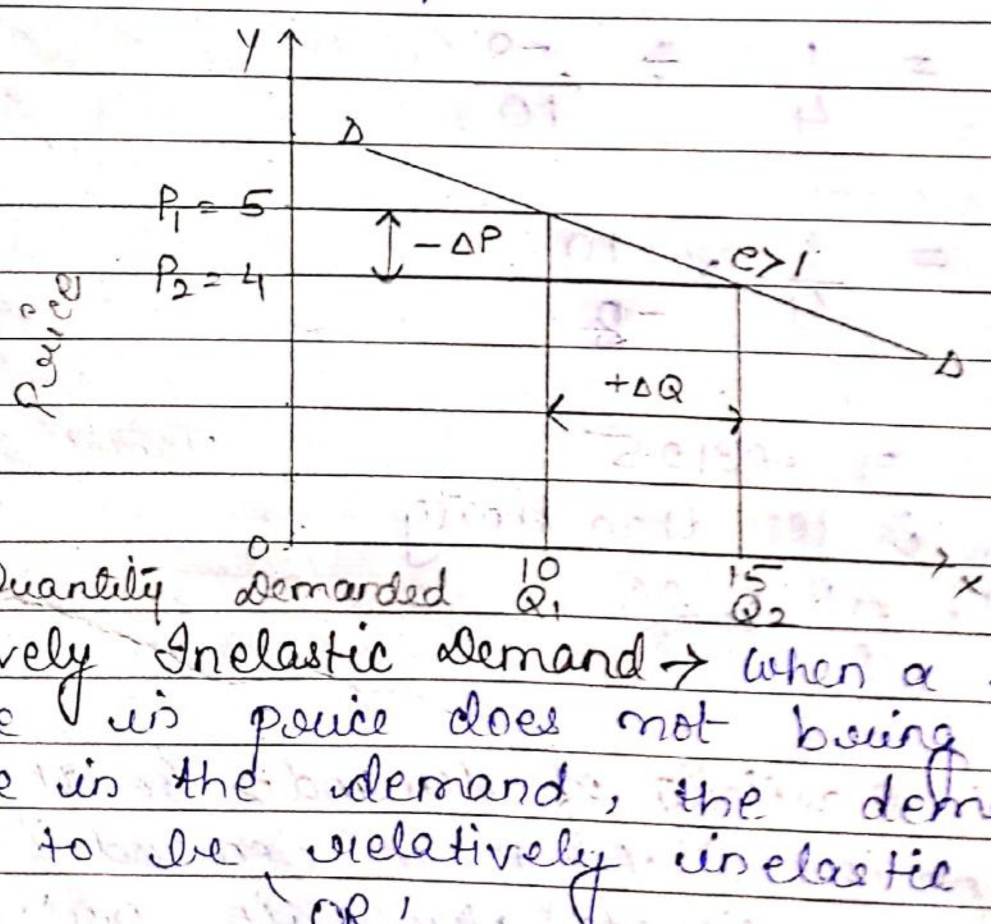
$$ed = \frac{\Delta Q}{\Delta P} \times \frac{P}{Q}$$

Q. Degrees of Price Elasticity of Demand

Price elasticity of demand is generally classified under the following five heads :—

Relative Elastic Demand → It refers to a situation where a small proportionate change in the price of a commodity is accompained by a larger proportioned change in its quantity demanded. Elasticity of demand there is said to be greater than ~~the~~ unity.

$$\frac{\Delta Q}{Q} > \frac{\Delta P}{P}$$



Relatively Inelastic Demand → When a large change in price does not bring so much change in the demand, the demand is said to be relatively inelastic.

'OR'

Proportionate change in Price	$\frac{\Delta P}{P}$	$>$ $\frac{\Delta Q}{Q}$	Proportionate change in quantity demanded