



INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

Elasticity Of Demand In Goods

Bhavya mohnani

Billabong high international school

ABSTRACT

Demand for a good is said to be “elastic” if a small change in price causes people to demand a lot more or a lot less of the good. Demand for a good is “inelastic” if a small change in prices causes people to make no change or almost no change in how much they demand of that good. If the price of gasoline at the pump rises, the amount of gas people demand falls. But, does it fall by a lot or only by a little? The price elasticity of demand is all about answering that question. If a 10% increase in price of gas results in almost no results in a very large reduction in the amount of gas they want to buy, we say the price elasticity of demand for gas is elastic. Usually economists describe demand as either relatively elastic or relatively inelastic when compared to an imaginary neutral amount of elasticity. That is, if a 10% increase in price results in a 10% decrease in the amount of the good demanded, we think of that as a neutral elasticity of demand. If we know demand for gas is relatively inelastic, we can estimate that when the price of gas goes up by 10% people will not change their buying habits very much, buying almost the same amount of gas as before—that is, reducing their gas purchases by less than 10%. If we know demand for gas is relatively elastic, we can estimate that a 10% increase in the price of gas will cause the quantity of gas demanded at the pump to fall by over 10%. The price elasticity depends upon how time period is involve. keywords: demand, price change, increase/ decrease, quantity demanded, price elasticity of demand.

Degrees of elasticities of demand:

1: perfectly elastic demand: when there is infinite demand at same price.(ed=infinite).this is an imaginary situation.

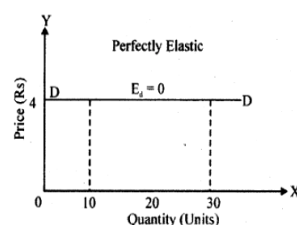
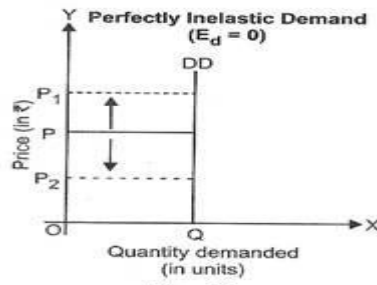
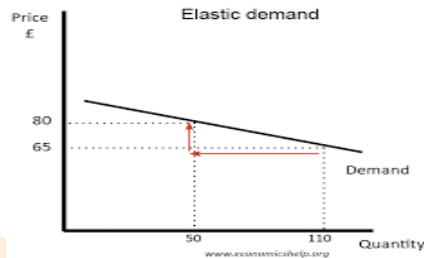


Figure shows perfectly elastic demand

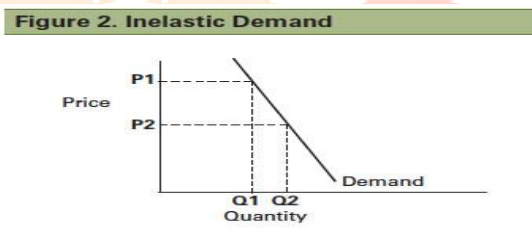
2: perfectly inelastic demand : when there is same demand at all prices.($E_d=0$).this is an imaginary situation.



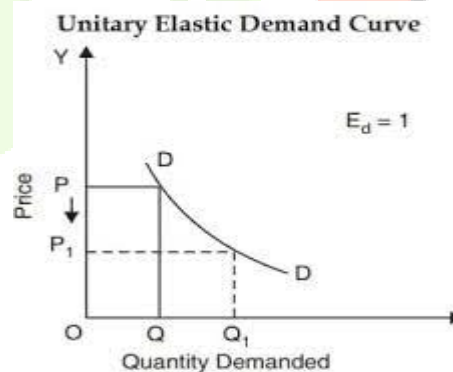
3: Highly elastic demand: when % change in demand is more than % change in price.($E_d > 1$).Ex: DVD.



4: Less elastic demand: when % change in demand is less than the price.($E_d < 1$).Ex: salt.



5. unitary elastic: when % in demand is equal to % in price.($E_d=1$).Ex: scooter.



Elasticity of demand in particular goods (Table no: 1)

Perfectly elastic	Perfectly inelastic	Highly elastic	Less elastic	Unitary elastic
Luxury goods	gasoline	clothing	oil	scooter
Airline good	coffee	jewellery	gas	refrigerator
Home décor	Soft drinks	handbags	water	furniture

2. Conclulsion:

Elasticity of demand plays a crucial role in understanding how consumers respond to changes in the price of goods and services. It plays business, producers, and policymakers make better decisions regarding pricing, taxation, and production. Goods that are necessity such as fuel or medicine, tend to have inelastic demand while luxury items and subtitutes have elastic demand. By studying the different degrees of elasticity – perfectly elastic, perfectly inelastic, highly inelastic, less elastic and unitary elastic. We can analyse how sensitive consumer demand is to price variations. In conclusion, the concept of elasticity of demand provides valuable insight into market behavior, consumer behavior, consumer preference, and helps in achieving economic stability and efficient resource allocation.

4. reference

1. Sandeep garg economics book
- 2.The library of economics and liberty
- 3.chatgpt

