

2 Price and elasticity – Part 2

Name: _____ Class: _____ Date: _____

Vocabulary

Write each word three times.

English	Write it 3 times (English)
equilibrium price	_____
Price elasticity of demand	_____

Recall

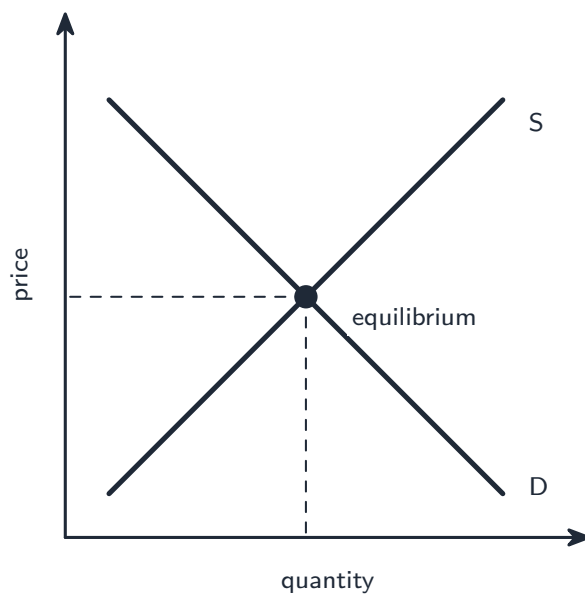
Where supply and demand meet sets the price, and the strength of the response is called elasticity.

New ideas

Read these first, then do the Practice.

■ 1 The equilibrium price

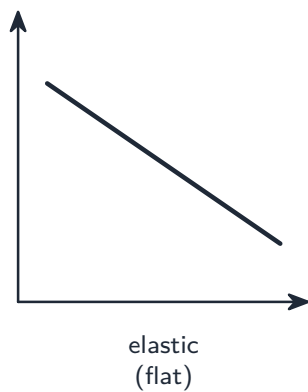
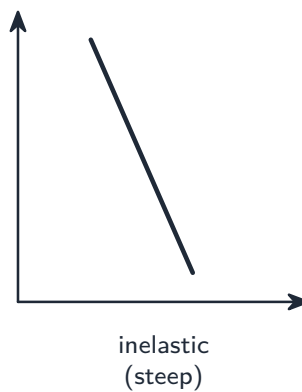
The **equilibrium price** is where the demand and supply curves cross – the amount buyers want to buy equals the amount sellers want to sell:



■ 2 Price elasticity

Price elasticity of demand
when the price changes:

measures how much demand changes



Watch out: the **equilibrium price** is where the demand and supply curves *cross* – demand equals supply. **Elastic** demand (a flat curve) means a big response to a price change; **inelastic** (a steep curve) means a small one.

Practice

Try these in order.

2.6 What is the *equilibrium price*? [1]

2.7 On a diagram, where is the equilibrium? [1]

2.8 What does *price elasticity of demand* measure? [1]

2.9 Is a flat demand curve elastic or inelastic? [1]

2.10 Demand for a product barely changes when its price rises. Is it elastic or inelastic? [1]

2.11 Challenge. Explain why demand for salt is inelastic, but demand for one particular brand of crisps is elastic. [2]