

Price Elasticity of Demand

1. What is price elasticity of demand? How is price elasticity of demand calculated? Why is price elasticity of demand usually negative?
2. Compare elastic and inelastic goods using examples from the text. Why are some goods more elastic than others?
3. Can you give a simple example of elasticity in real life? Why do we rarely see perfectly inelastic or perfectly elastic demand curves in real life?
4. Explain factors that affect price elasticity of demand.
5. How can a business use price elasticity of demand to make market forecasts and pricing decisions?