

Answer on Question 50823, Economics, Microeconomics

Question:

If the price elasticity is -0.3 it means...

Answer:

Price elasticity is a summary measure of how the supply or demand of a particular good is influenced by changes in price:

$$Elasticity = \frac{\% \text{ Change in quantity}}{\% \text{ Change in price}} = \frac{-3\%}{10\%} = -0.3$$

So, using this formula we see, that if the price elasticity is -0.3 it means that the price rises and quantity will fall by 0.3 times the percentage increase in price (e.g. the quantity demanded decreases when price rises).

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