

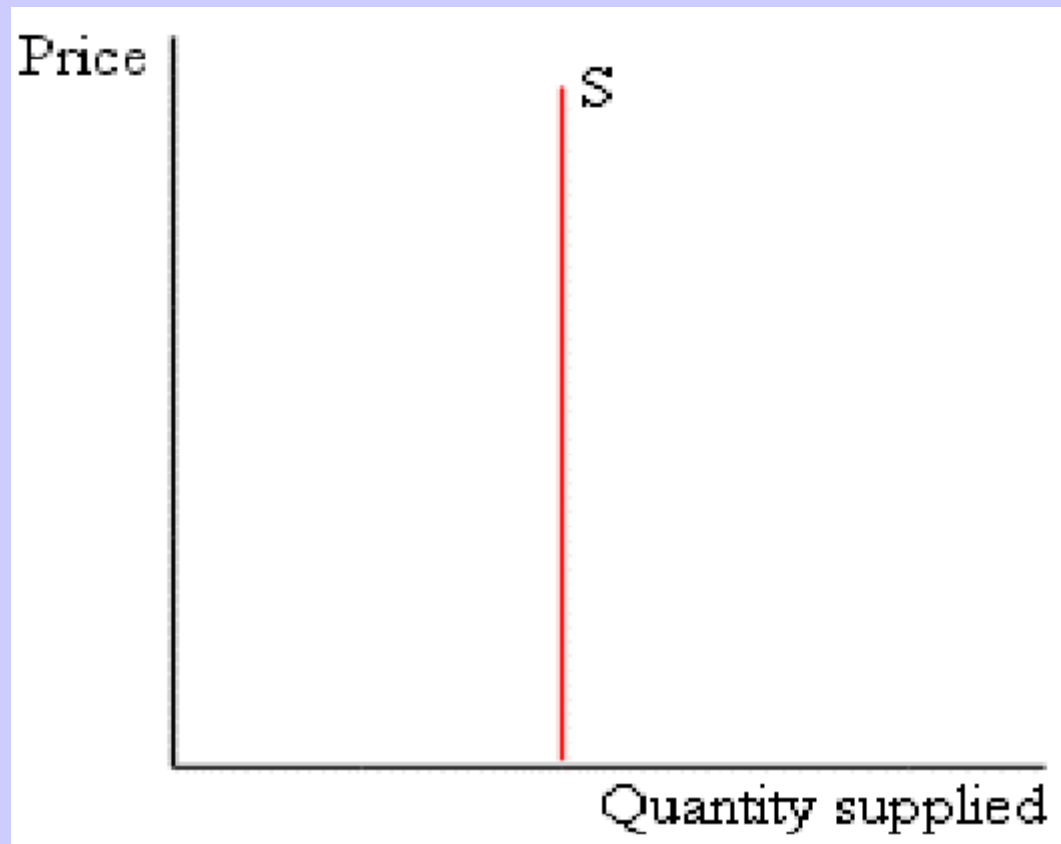
Week 8

Elasticity of Supply

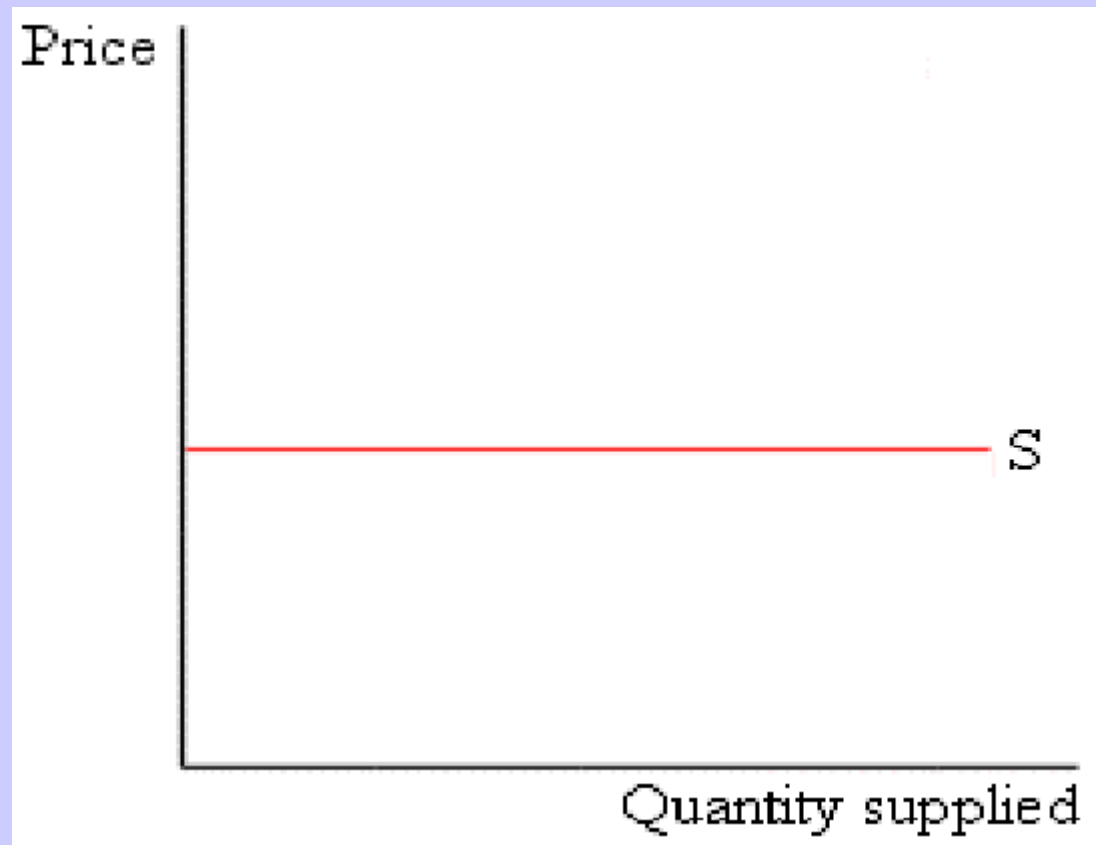
Price elasticity of supply

$$\text{Price elasticity of supply} = \frac{\% \text{ change in the quantity supplied}}{\% \text{ change in the price}}$$

Perfectly inelastic supply



Perfectly elastic supply



Determinants (factors) of supply elasticity

- **short run** - period of time in which capital is fixed
- all inputs are variable in the **long run**
- supply will be more elastic in the long run than in the short run since firms can expand or contract their capital in the long run.