y 4−3

For use with textbook pages 101–107

ELASTICITY OF DEMAND

FILLING IN THE BLANKS

Directions: Use your textbook to fill in the blanks using the words in the box. Some words may be used more than once. Use another sheet of paper if necessary.

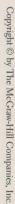
elastic demand elasticity inverse
proportional inelastic unit elastic
elasticity total expenditures

Introduction/Demand Elasticity

Consumers are sensitive to changes in price	es. A change in price can affect quantity demanded. This cause-and-effect
relationship in economics is known as 1	. The extent to which a change in
price causes a change in the quantity dema	inded is called 2 Demand is
3 when a giv	ven change in price causes a relatively larger change in quantity demanded.
Sometimes a lower or higher price does not	t create much change in demand. When the change in demand is
relatively small, the demand is considered 4	. When the demand is exactly between
elastic and inelastic, the demand is called 5	Unit elastic demand causes a
6 change in	quantity demanded.
The Total Expenditures Test	
To estimate elasticity, one can look at the ef	ffect that a price change has on 7 , which is
the amount that consumers spend on a pro	oduct at a particular price. Total expenditures are found by multiplying the
price of a product by the quantity demande	ed. When the price goes down, total expenditures go up. This is called an
8 relationshi	ip. For inelastic demand, total expenditures decline when the price declines
For unit elastic demand, total expenditures	remain unchanged when the price decreases. If the change in price and
expenditures move in opposite directions, d	lemand is 9 If they move in the same
direction, demand is 10	

Determinants of Demand Elasticity

Several factors determine whether a good is elastic or inelastic. When a consumer needs the product and the purchase cannot be put off, demand tends to be 12 ________. If there are enough substitutes available, consumers can switch back and forth between products in order to get the best price. Demand is said to be _______. The fewer the substitutes, however, the more inelastic the demand. If the purchase uses a large portion of income, people are more sensitive to price changes and demand tends to be ______.





11_