Price Elasticity of Demand

$$= \frac{\% \ change \ in \ quantity \ demanded}{\% \ change \ in \ price}$$

Perfectly inelastic demand $= 0$

Perfectly elastic demand $= -\infty$

Determinants of Price Elasticity of Demand

• Substitutability of alternatives

• Cost (relative to income)

• Time horizon

• Current point of equilibrium along the demand curve

Cross-price Elasticity of Demand

$$= \frac{\%\ change\ in\ quantity\ demanded\ of\ service\ A}{\%\ change\ in\ price\ of\ service\ B}$$

Between substitutes, cross-price elasticity > 0

Between complements, cross-price elasticity < 0

Income Elasticity of Demand

$$= \frac{\%\ change\ in\ quantity\ demanded}{\%\ change\ in\ income}$$

For normal goods/services, income elasticity > 0

For inferior goods/services, income elasticity < 0