• The Cross Price Elasticity of Demand



The cross price elasticity of demand for good i with respect to the price of good j is:

7.62.

Or

% change in quantity demanded of good i

% change in the price of good j

$$\varepsilon_{ij} = \frac{\frac{\Delta q_i}{q_i}}{\frac{\Delta p_j}{p_i}}$$

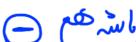
سیبر رجی خارجی ، حا

ارتغیر برخ ایرانی

Negative or positive?

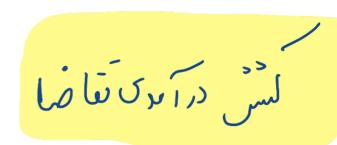
$$\varepsilon_{ij} = \frac{p_j}{q_i} \cdot \frac{\partial q_i}{\partial p_j}$$

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• The Income Elasticity of Demand

The income elasticity of demand measures the sensitivity of quantity demanded to a change in income:

% change in quantity demanded of a good

% change in consumer income

$$\sigma = \frac{\frac{\Delta q}{q}}{\frac{\Delta I}{I}}$$

Or

Negative or positive?
$$\sigma = \frac{I}{q} \cdot \frac{\partial q}{\partial I}$$

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