

Relation between Elasticity of Demand and Consumer's Surplus

When we can postpone buying a commodity, the demand is elastic. More is purchased when the price falls, and less when it rises. For instance, if the price of warm suiting goes up its demand will considerably contract because its purchase can be conveniently postponed. If it becomes cheap, demand will extend.

Range of Prices:

Elasticity of demand depends also on the level of prices, if price is too high or too low, the demand will be comparatively inelastic. For moderate prices it is elastic. When the prices are already too high or too low, a small change in them will not affect the demand much. Take the case of a transistor It is becoming very popular. But whether the demand for it is elastic or inelastic will depend upper the range of prices. If the price of a transistor is near-about Rs.

1,000, a fall in its price by about Rs. 100 or so will not affect its demand much.

In other words, the demand will be inelastic. Now take the other extreme. If its price is Rs. 50, everybody who is interested will have purchased it and a fall in price will not lead to any extension of demand. Hence the demand is again inelastic. But if the price is Rs. 250-300, the demand will be elastic. Thus, the demand is inelastic when the price is too high or too low but elastic in the middle range of prices.