

## Elasticity Of Demand & Consumer's Surplus

### ***Proportion of Income Spent:***

Another factor on which elasticity of demand for a commodity depends is the proportion of one's income spent on the commodity. For instance, a person spends a small amount out of his income on a newspaper. Any change in its rate will not materially affect its demand. In other words, the demand is inelastic. But quite a large sum of money is spent on milk. If, therefore, price of milk rises, less of it will be purchased and if its price falls, more will be purchased, i.e., the demand is elastic.

### ***Conclusion:***

From the above, it will be clear that there is no hard and fast rule to determine whether the demand for any commodity is elastic or inelastic. This will, in fact, depend on several factors connected with that commodity and with the consumer. However, broadly speaking, we may say that the elasticity of demand for any

commodity in relation to a certain class of consumers will depend on the availability of its substitutes or the nature of the commodity whether it is a necessary or a luxury.