Relation between Elasticity of Demand and Consumer's Surplus

Existence of Substitutes:

For commodities having substitutes, the demand is elastic, e.g., tea and coffee. If the price of any one of them falls, it will be purchased in larger quantities. If the price rises, demand for it will contract, and its substitutes will be purchased instead. There is, therefore, greater extension or contraction of demand for such commodities when their prices change. Demand for them is elastic.

Several Uses:

When a commodity has several uses, demand for it is elastic. With a fall in price such a commodity tends to be put to less urgent uses. Thus its demand extends, and vice versa. If a commodity has only one use, a change in price of the commodity will influence its one use only. Even if its price falls considerably, it cannot be put to any other use. Hence the demand is inelastic. But if it is possible to use it for a number of purposes, the demand will be obviously elastic.

It may also be borne in mind that the demand for a commodity may be elastic for one use and inelastic for another. For example, the demand for coal for use in railway engines is inelastic because there is no alternative; it is essential to use coal for this purpose. But its use for domestic purposes is not so essential. More of it will be used only if its price falls. Hence for domestic use the demand for coal is elastic.