# 4.4 Estimation Problem in Demand Response Curves

| Summary | • Problem Statement |
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|  | ## Estimation problem<br><br>• Assume that we conduct an market experiment where we offer different prices and check the realized demand at that time.<br>• So we have the price offered and the corresponding demand values.<br>• Price can be considered as an explanatory variable and the demand can be considered to be the dependent variable.<br><br>• Can we estimate the slope and the elasticity?<br><br>• Slope comes into the picture only when we have a linear response curve.<br><br>• If you think elasticity could be constant, you may want to estimate the elasticity from the given data. |
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