









The Price Elasticity of Demand compares

Q^d of prescription drugs decrease if the price increase

Q^d of strawberries decrease if the price increase

Size of the change in Q^d

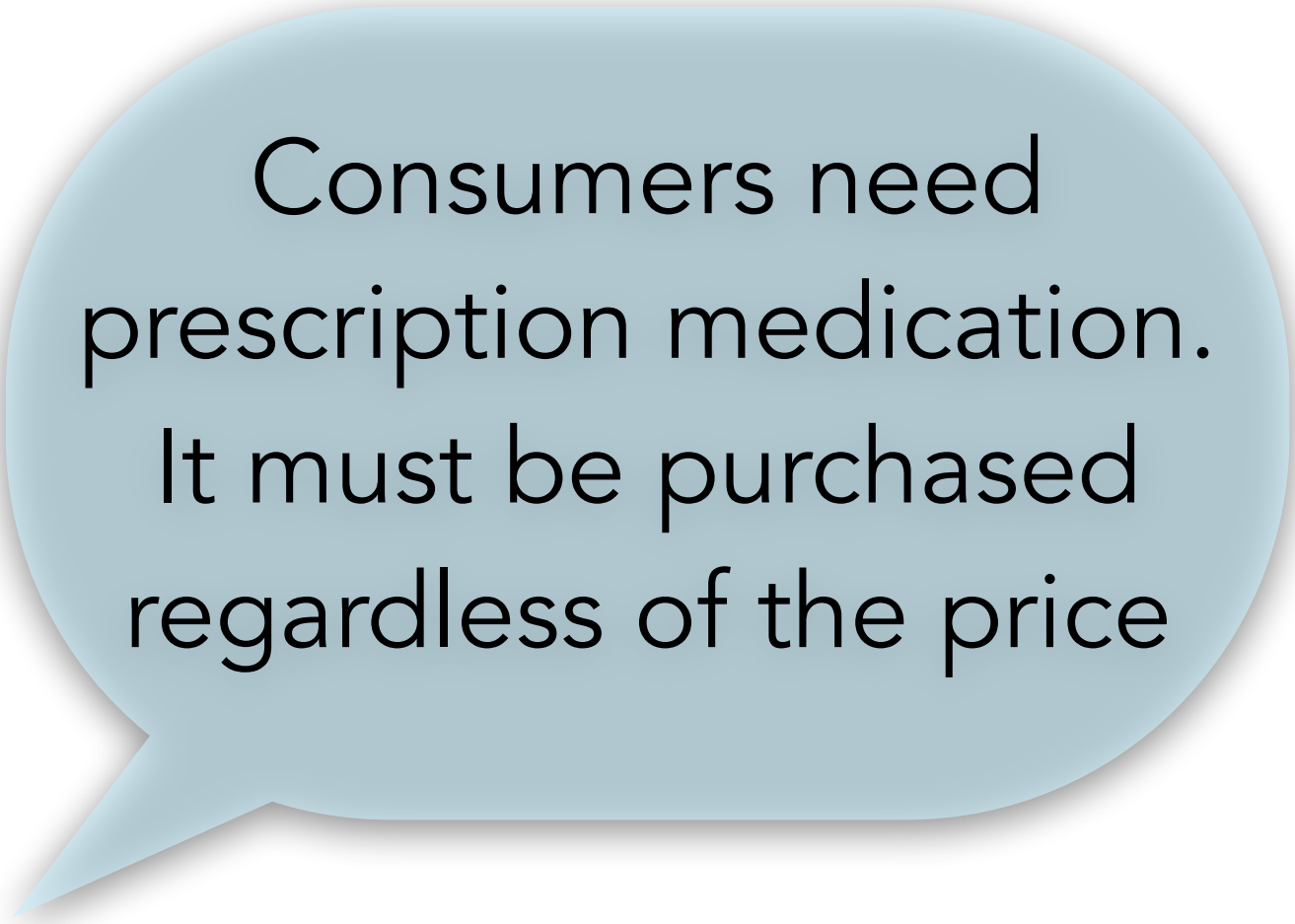
Size of the change in Price



Small drop in Q_d

Large drop in Q_d

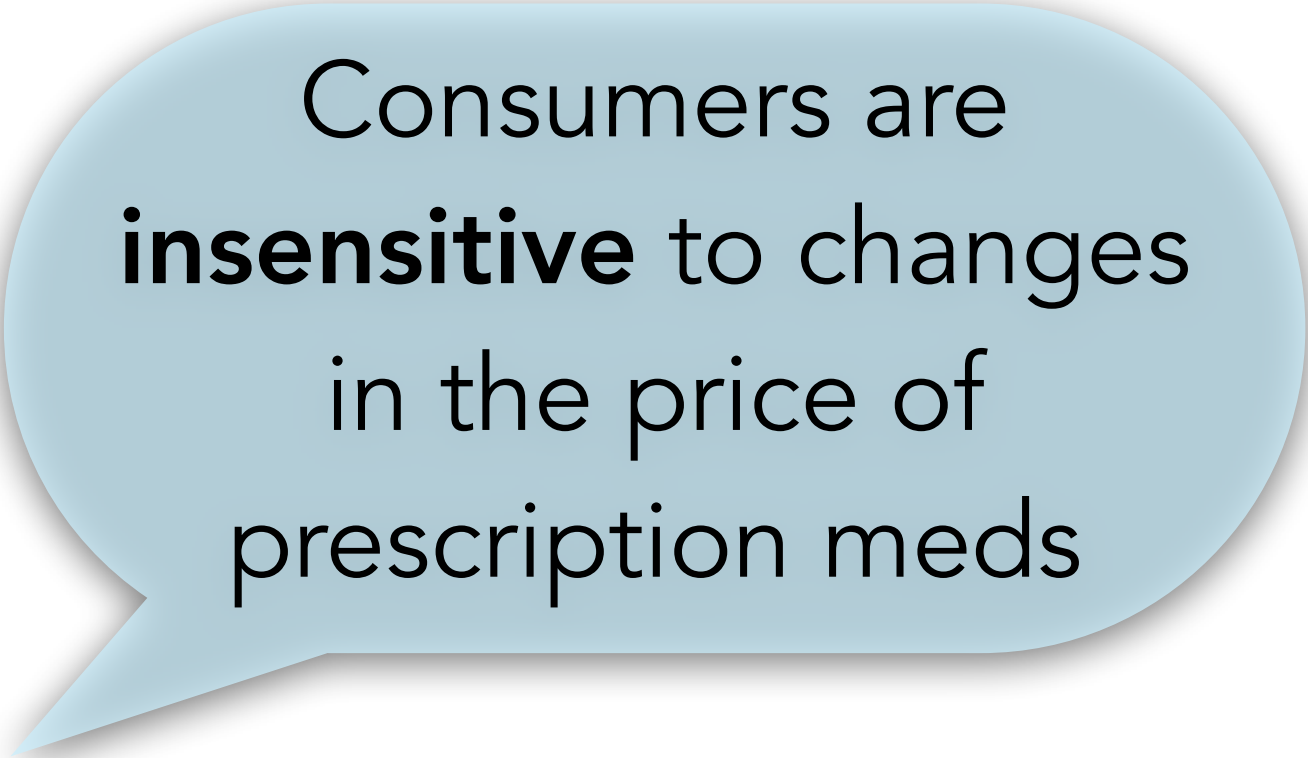
with



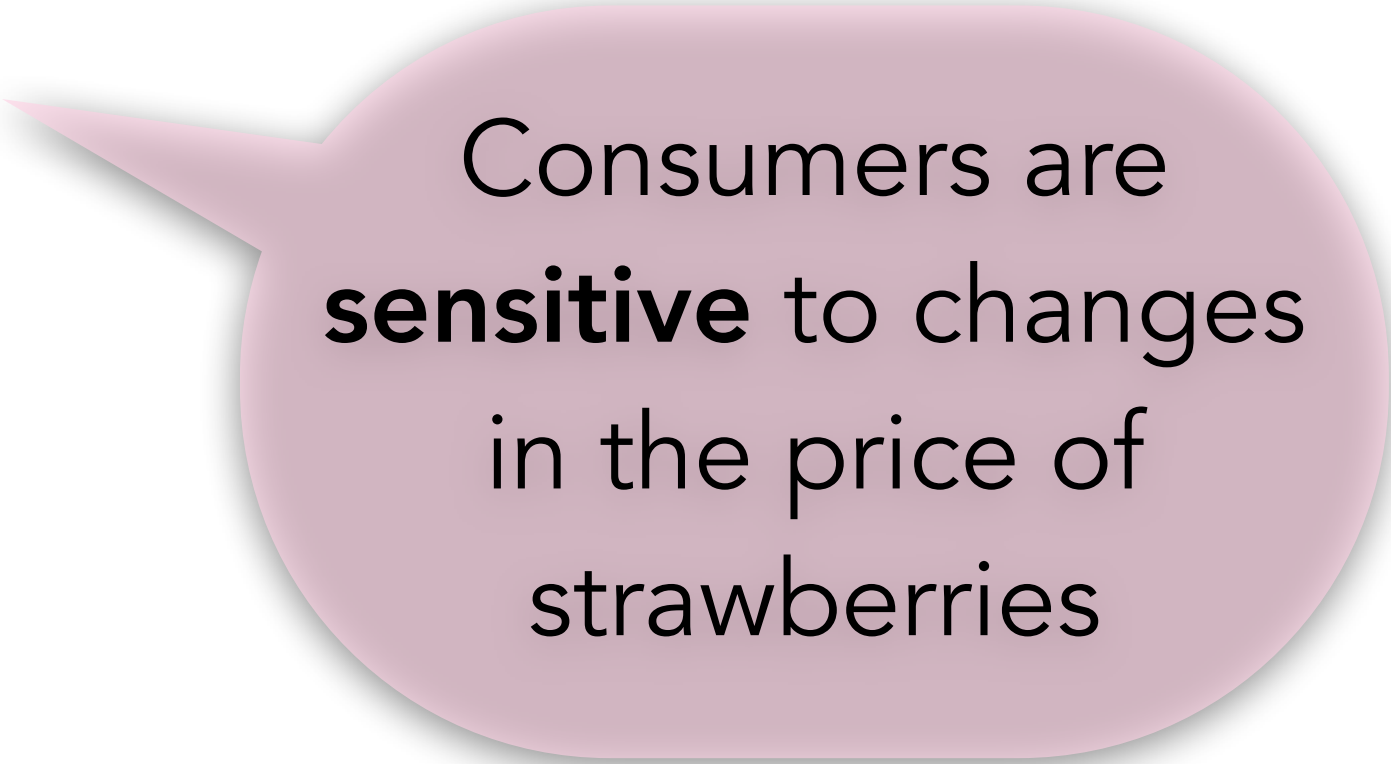
Consumers need
prescription medication.
It must be purchased
regardless of the price



Consumers
don't need
strawberries...they
can buy a different
fruit



Consumers are
insensitive to changes
in the price of
prescription meds



Consumers are
sensitive to changes
in the price of
strawberries

Demand is Elastic



Demand is Inelastic



The Price Elasticity of **Demand** compares


With $\frac{\text{Size of the change in } Q^d}{\text{Size of the change in Price}}$

Q^d of prescription drugs **decrease** if the price increase

Demand is Inelastic \longleftarrow Small drop in Q^d

Q^d of strawberries **decrease** if the price increase

Demand is Elastic \longleftarrow Large drop in Q^d



Consumers are **insensitive** to changes in the price of prescription meds

Consumers are **sensitive** to changes in the price of strawberries

Formula to calculate the elasticity