



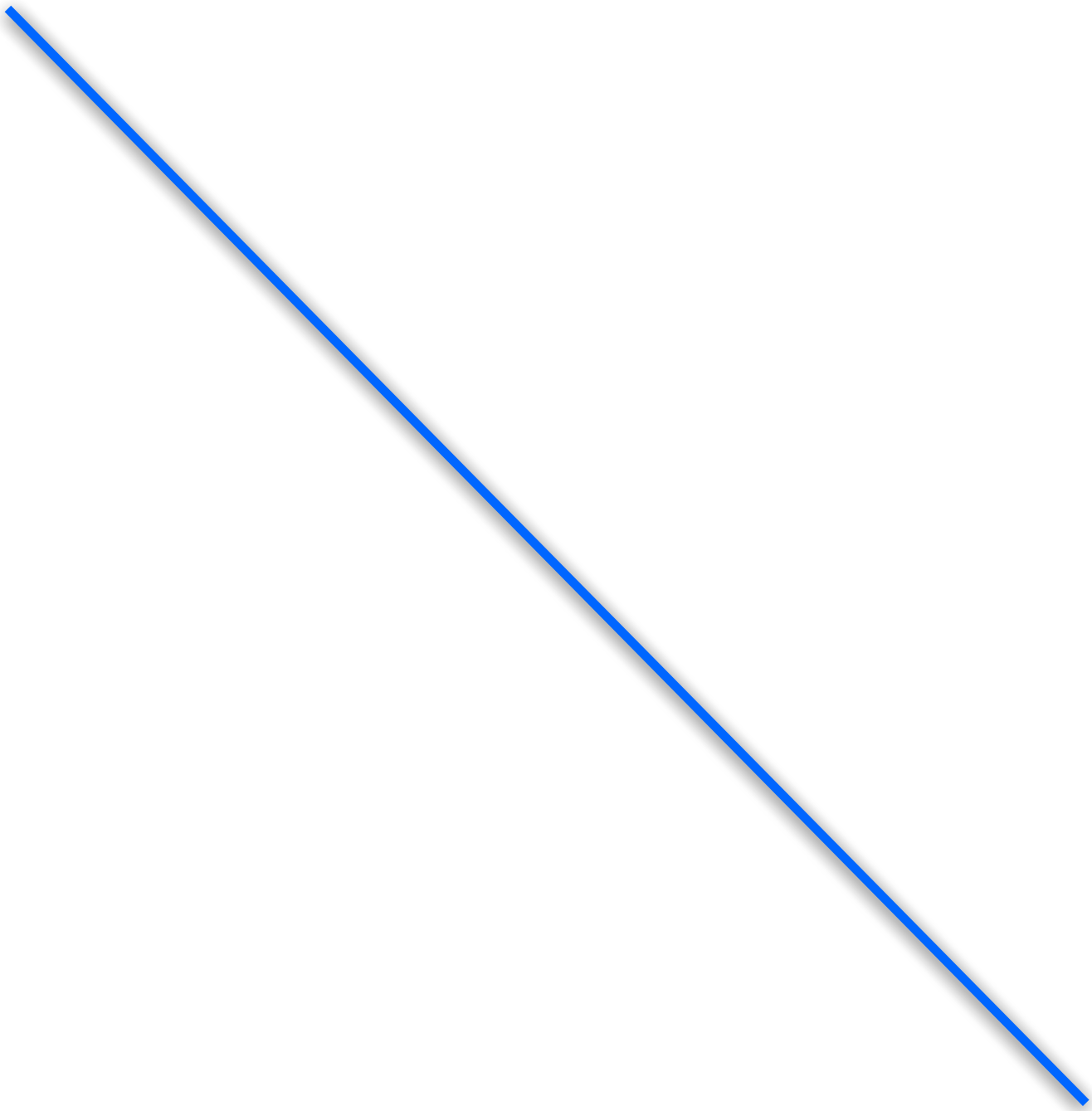
As Price Increases

For low prices,
demand is
inelastic: $|el| < 1$

For high prices,
demand is
elastic: $|el| > 1$

At the
midpoint,
 $|e| = 1$







Elasticity Increase



140

130

120

110

100

90

80

70

60

50

40

30

20

10

0

13.00

6.00

3.67

2.50

1.80

1.33

1.00

0.75

0.56

0.40

0.27

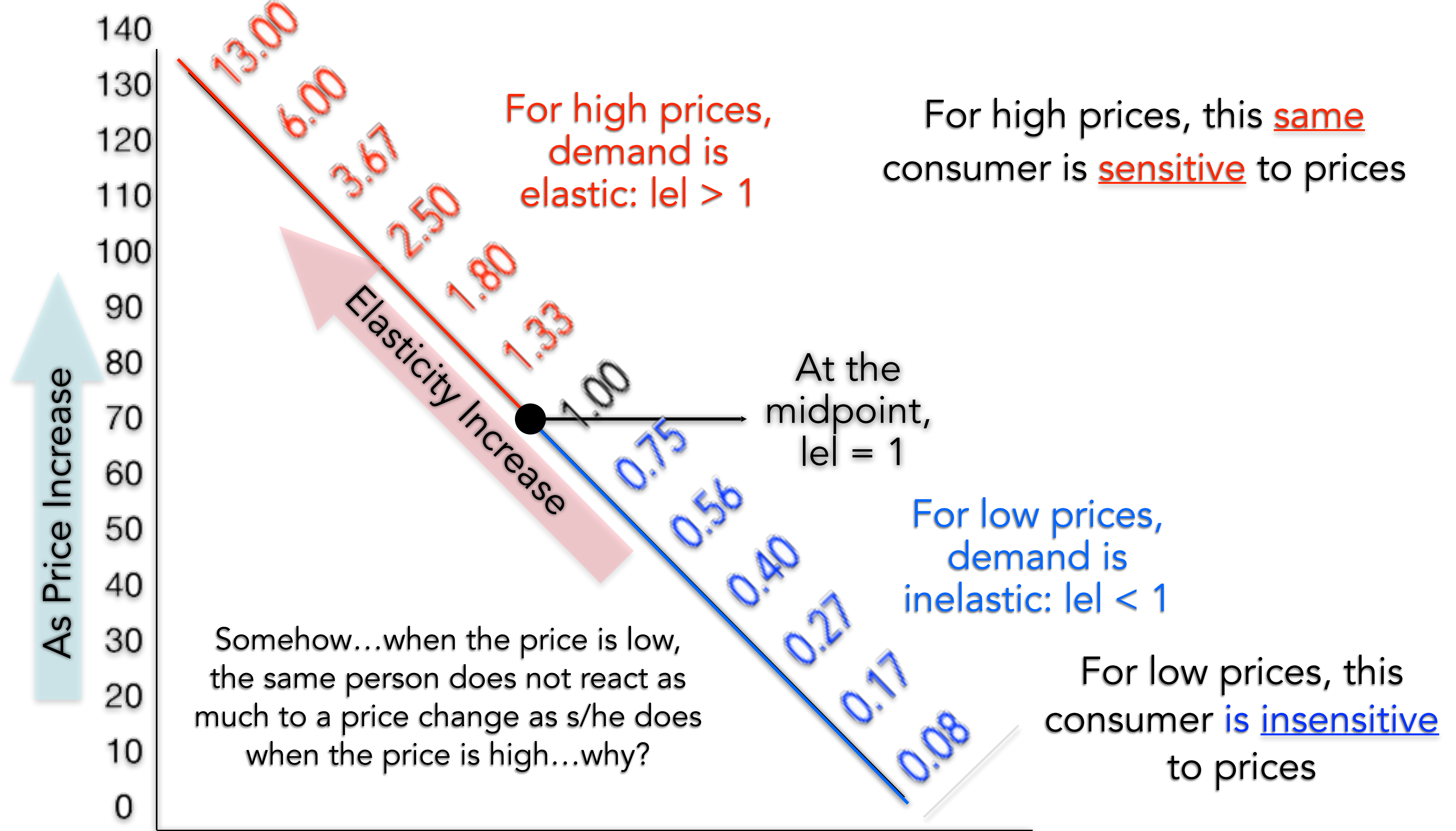
0.17

0.08

For low prices, this
consumer is insensitive
to prices

For high prices, this same
consumer is sensitive to prices

Somehow...when the price is low,
the same person does not react as
much to a price change as s/he does
when the price is high...why?



Elasticity **Changes Along** the Demand Line

