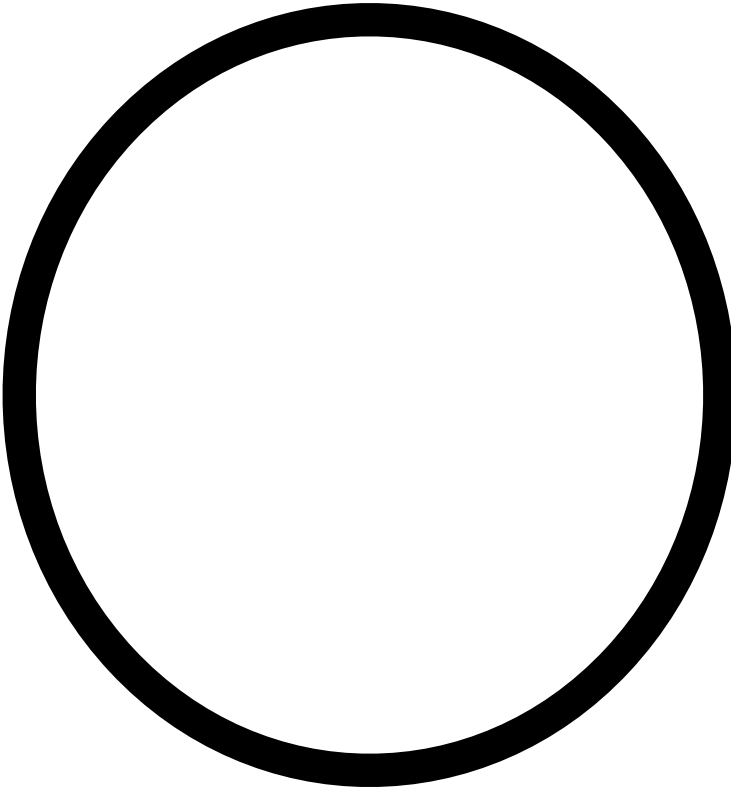
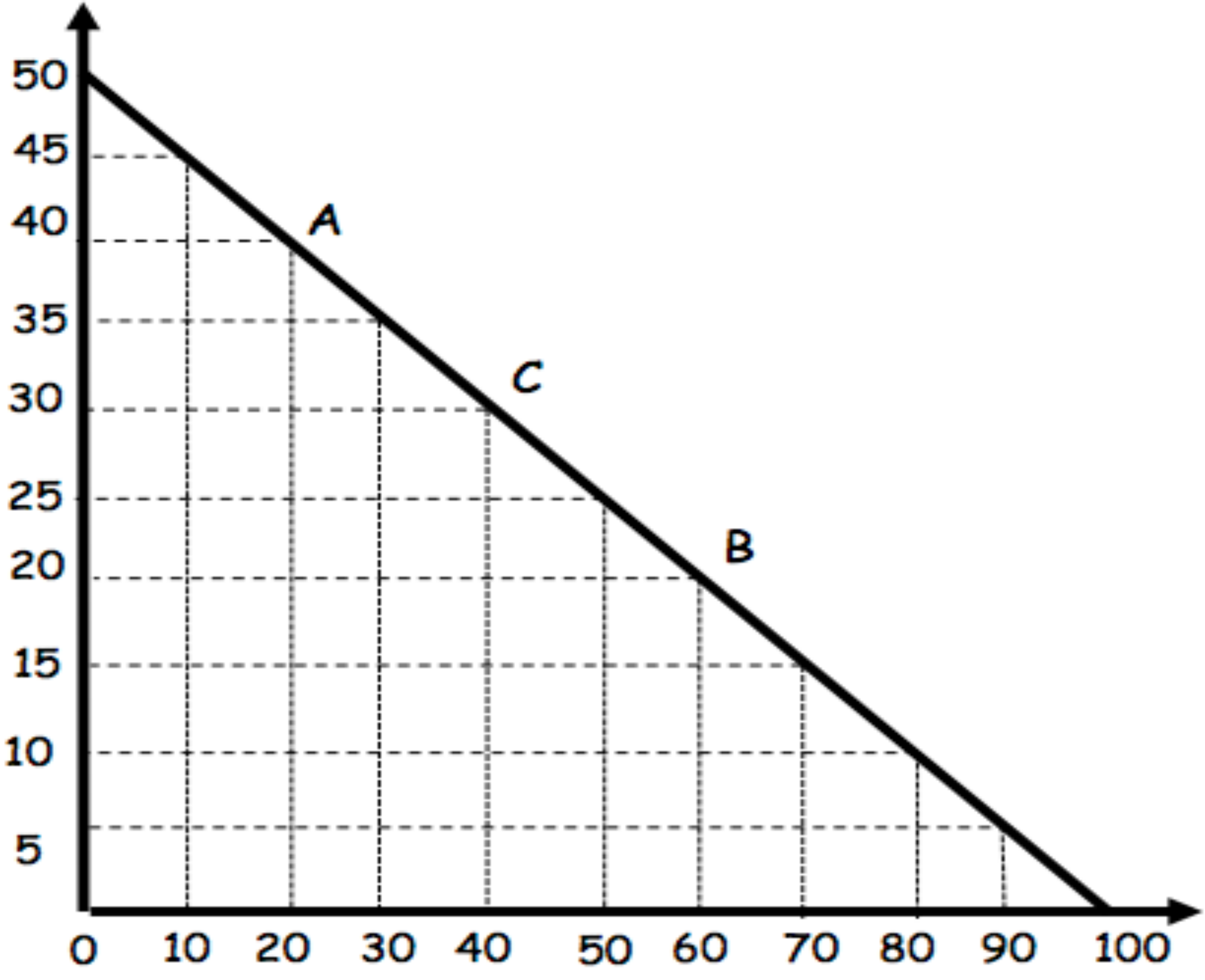
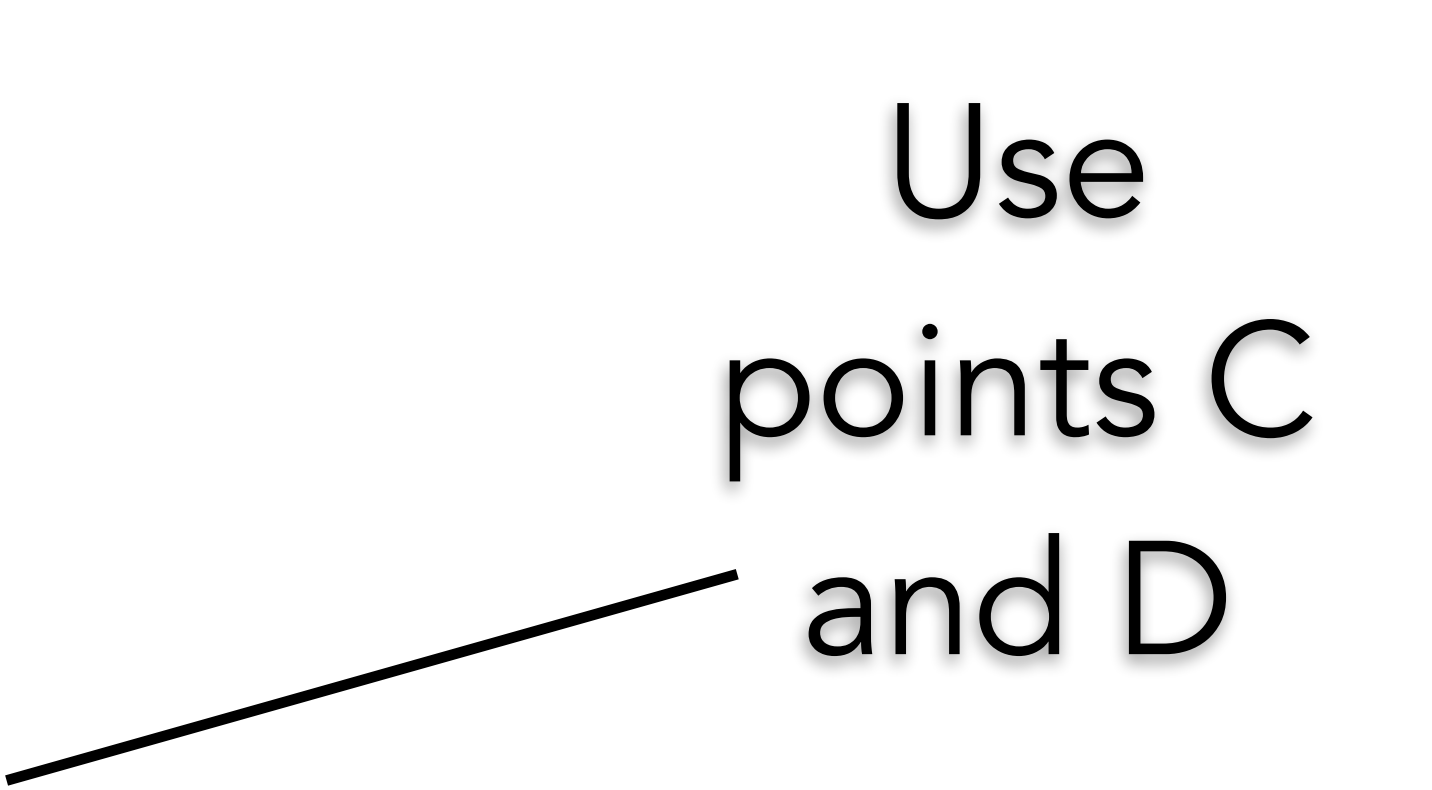
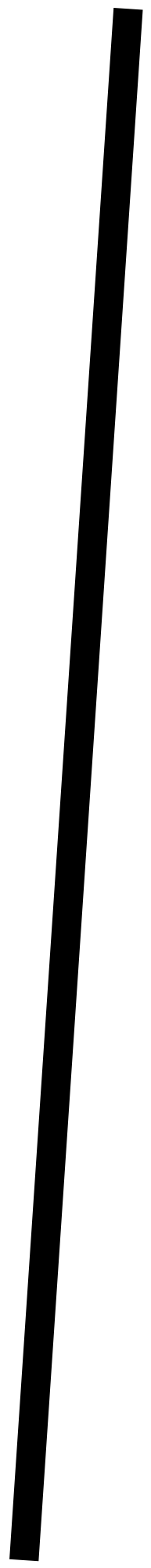
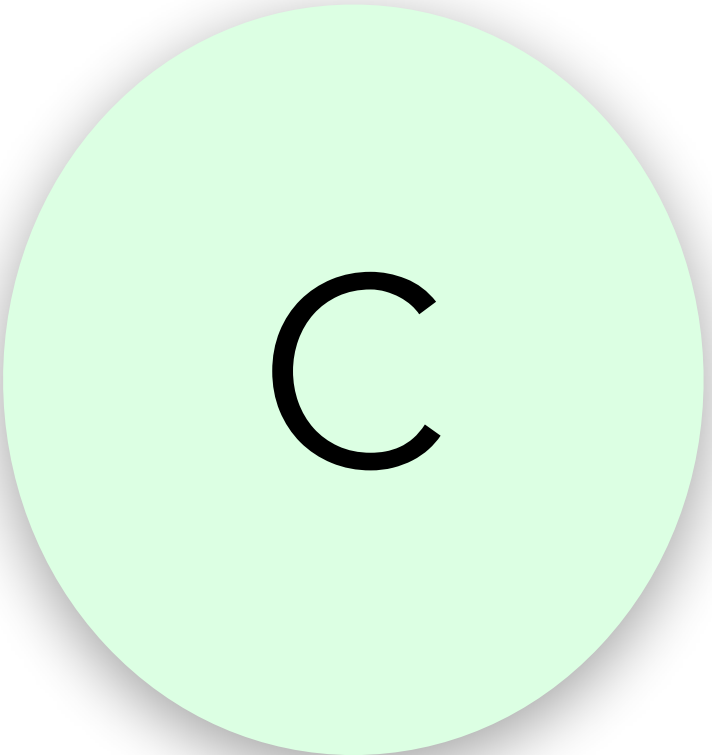



50
45
40
35
30
25
20
15
10
5
A
B
C
0
10
20
30
40
50
60
70
80
90
100

Use points C and D






C


30


10


40

80

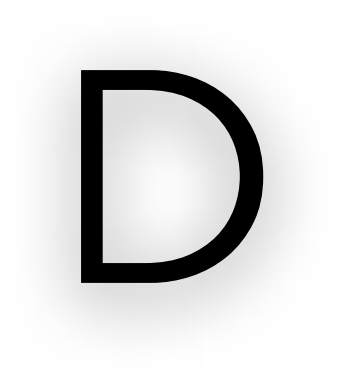
Use these two quantities to calculate the elasticity at point B

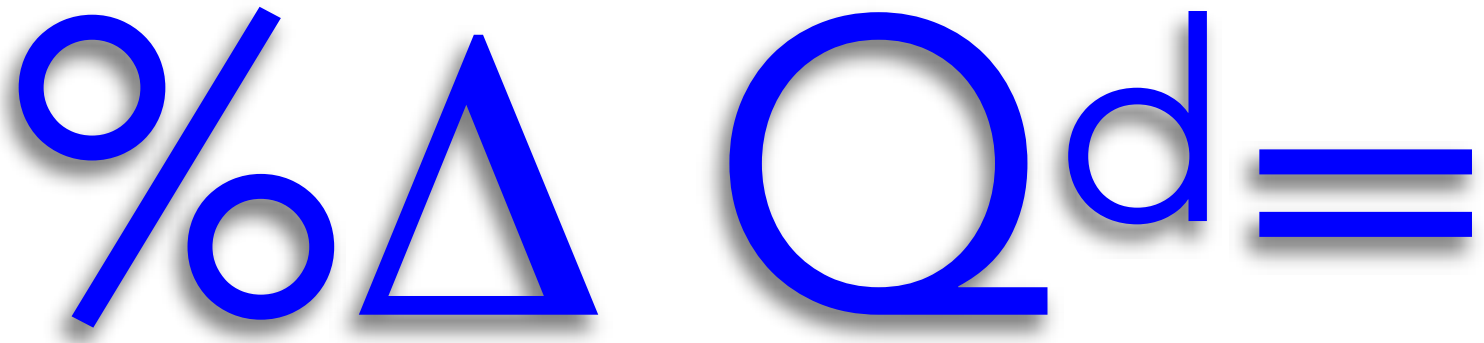
Use these two prices to calculate the elasticity at point B

Calculating the elasticity at *one* point along a demand line

Make “B” the Midpoint by using any two points which are the same distance from B


D





$$(80-40) \div [(80+40)]/2$$

$$= 40 \div 60 = 0.67$$

$\%\Delta$ Price =

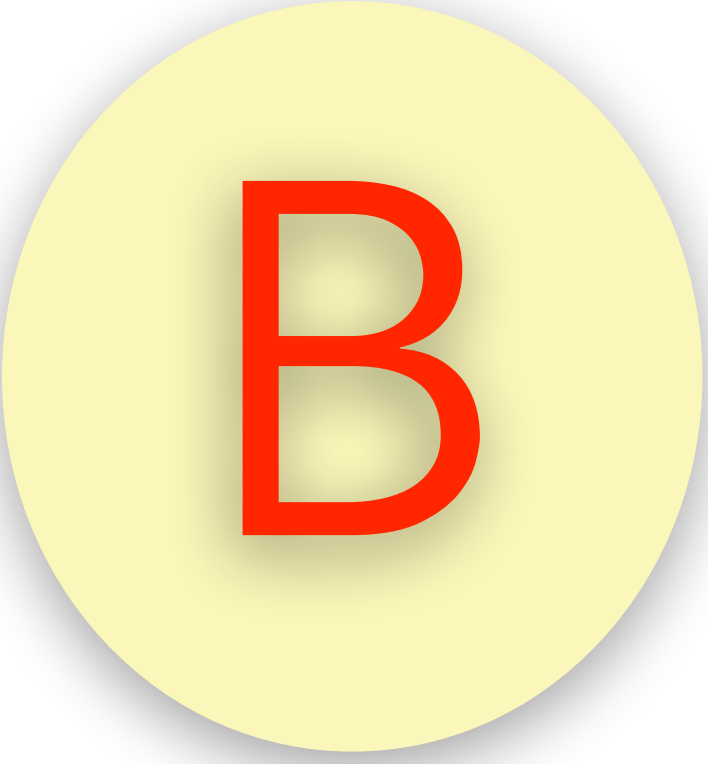
$$(30-10) \div [(30+10)]/2$$

$$= 20 \div 20 = 1$$

Price Elasticity of Demand at point B = 0.67/1 = - 0.67


B


Always Negative:
add a negative
sign


B

Example: to calculate the elasticity at point

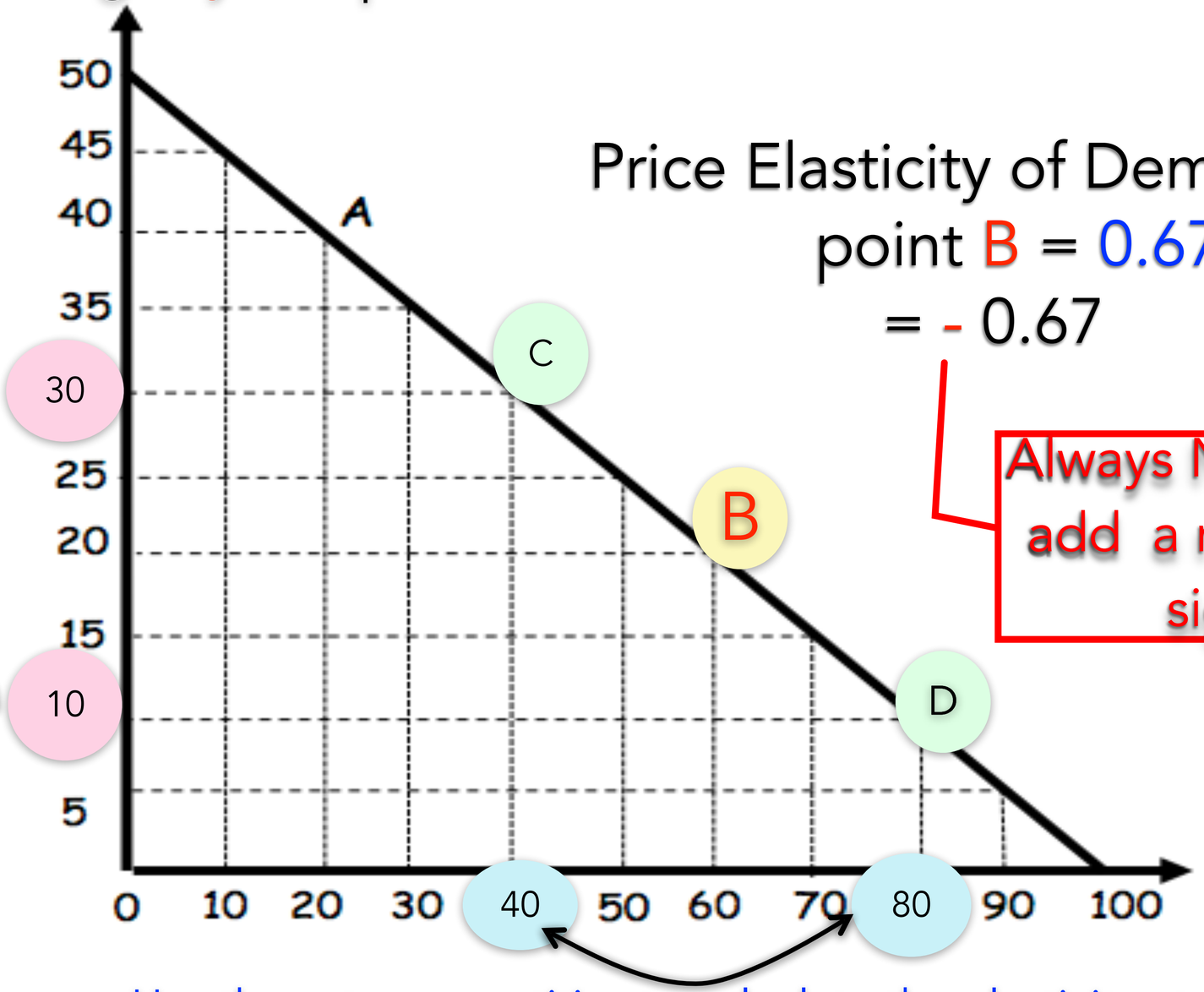
Example: to calculate the elasticity at point B

Make "B" the Midpoint by using any two points which are the same distance from B

$\%\Delta Q^d =$

$(80-40) \div [(80+40)]/2$

$= 40 \div 60 = 0.67$



Use these two prices to calculate the elasticity at point B

$\%\Delta$ Price =

$(30-10) \div [(30+10)]/2$

$= 20 \div 20 = 1$

Price Elasticity of Demand at point B = 0.67/1

= - 0.67

Always Negative: add a negative sign

Use these two quantities to calculate the elasticity at point B

To calculate the Elasticity at point B