



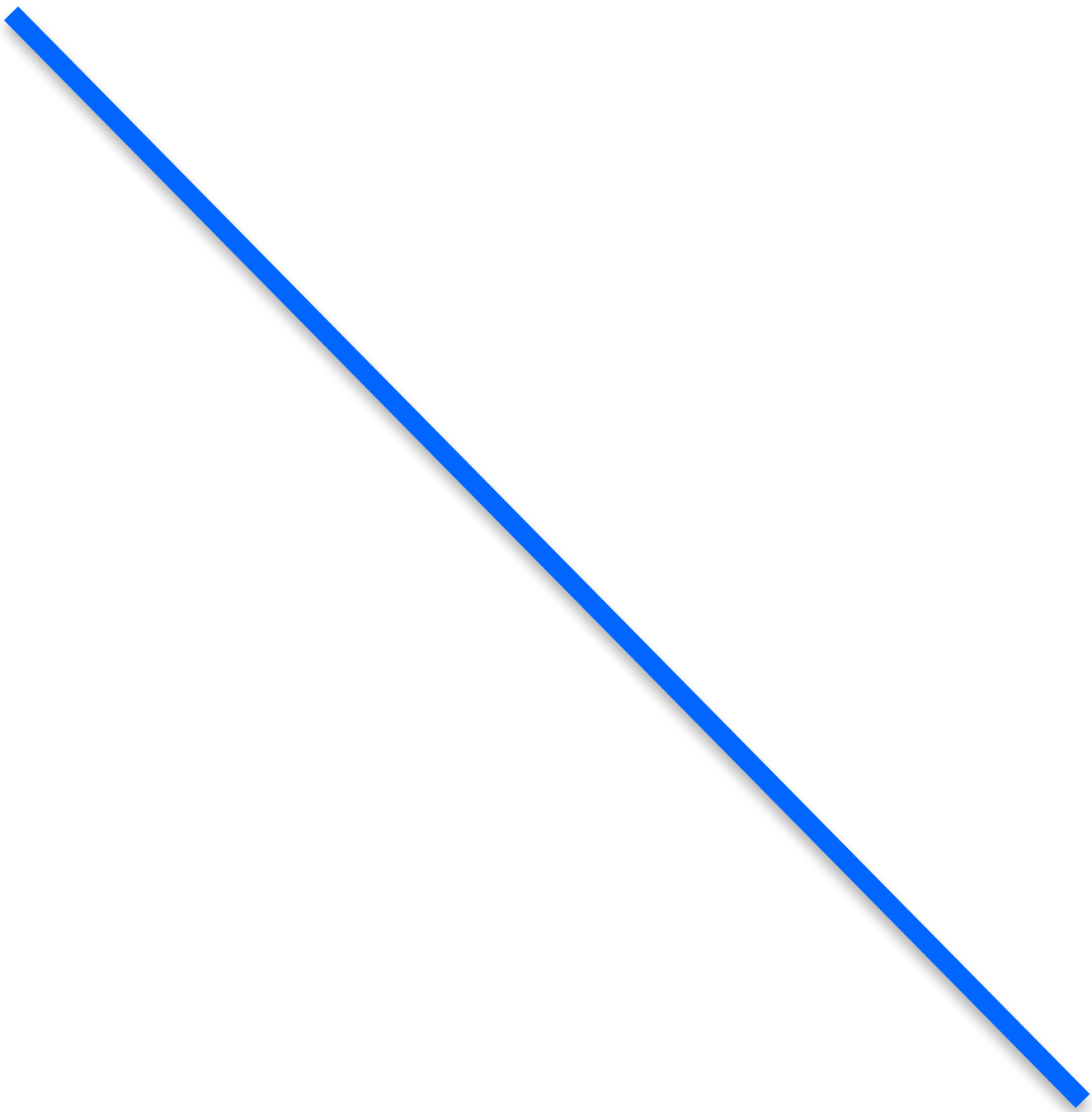
As Price Increases

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

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

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

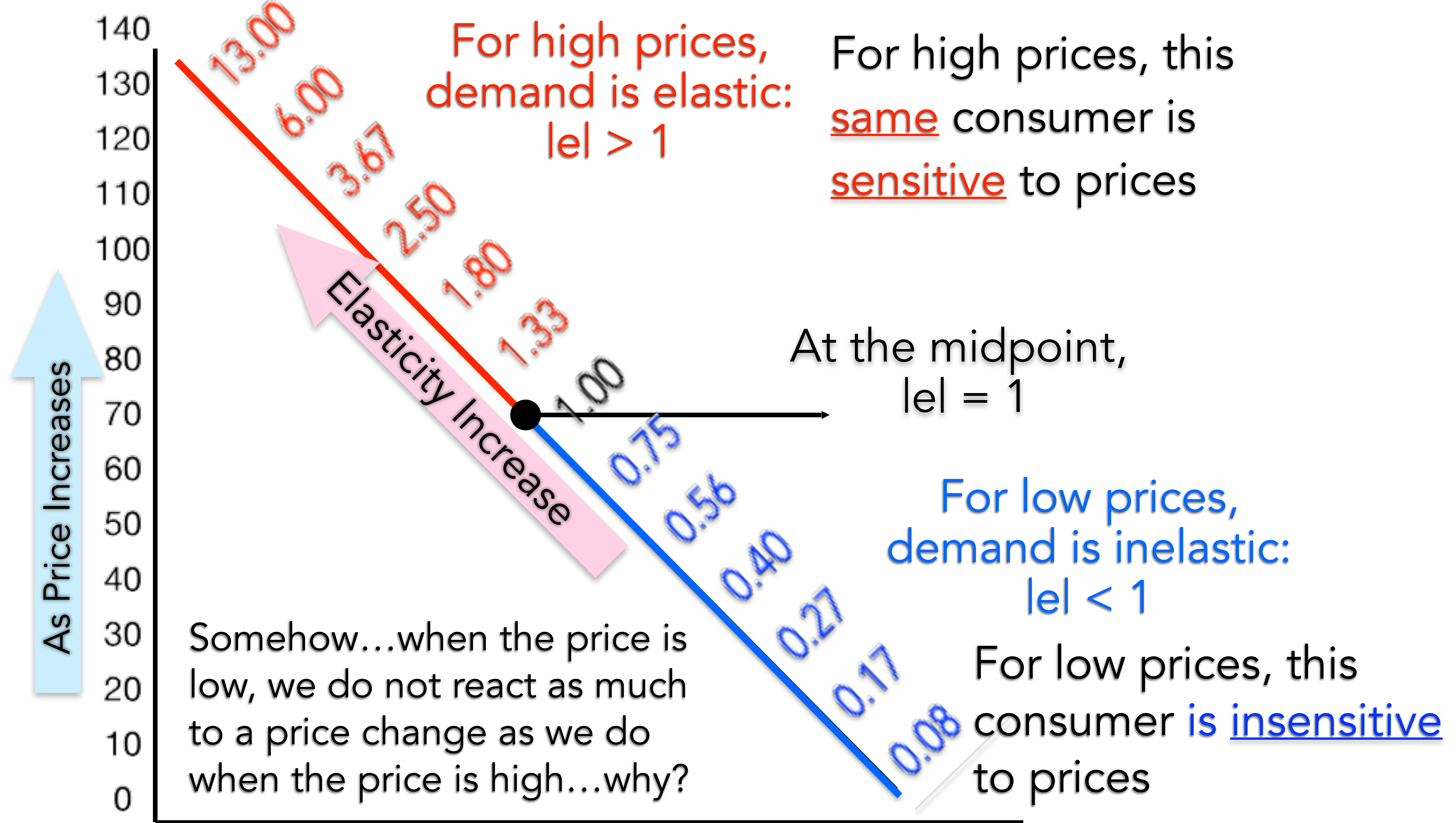
0.17

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, we do not react as much to a price change as we do when the price is high...why?



Elasticity **Changes Along** the Demand Line

