













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  $Q^d$

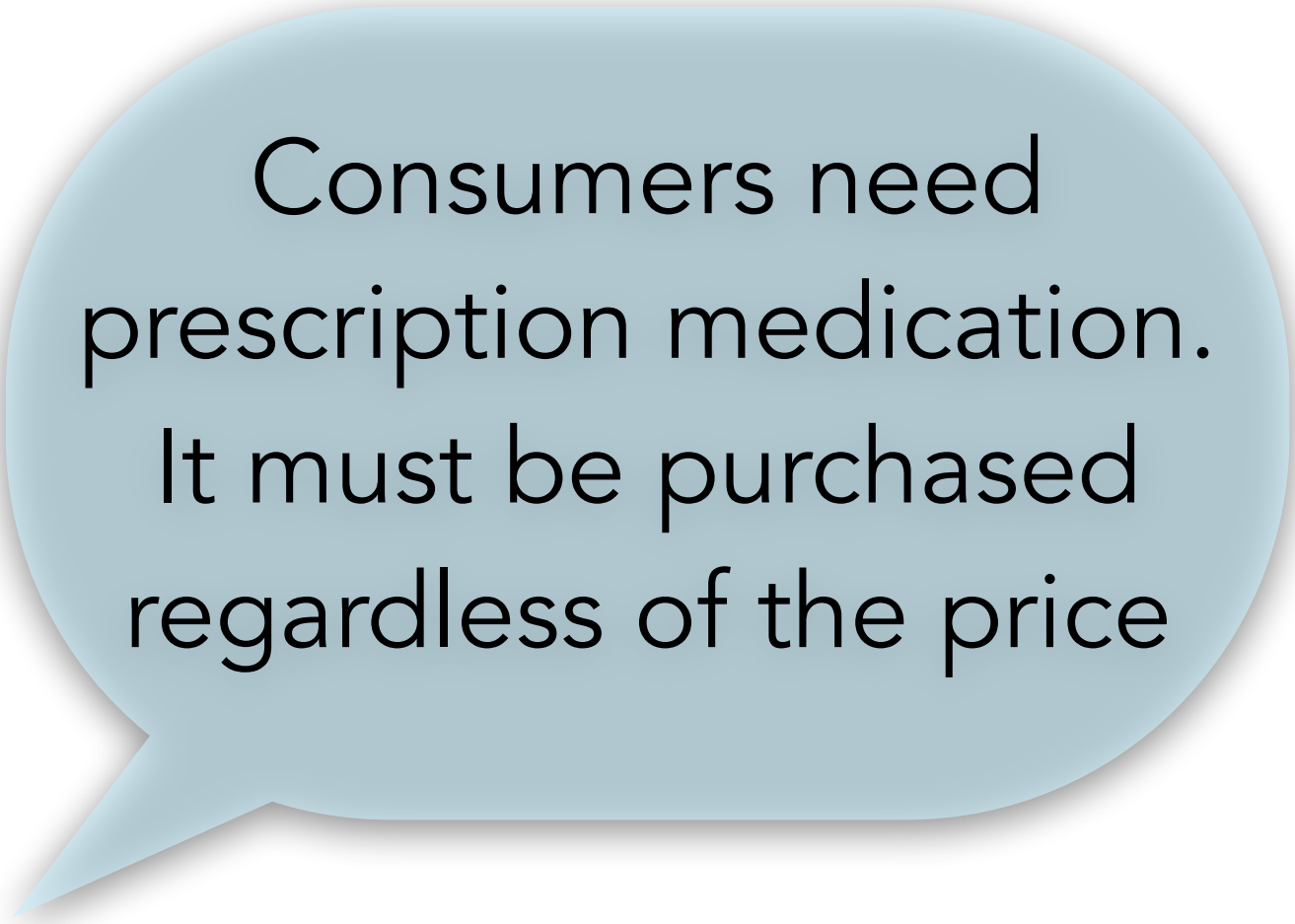
Size of the change in Price



Small drop in  $Q_d$

Large drop in  $Q_d$

with

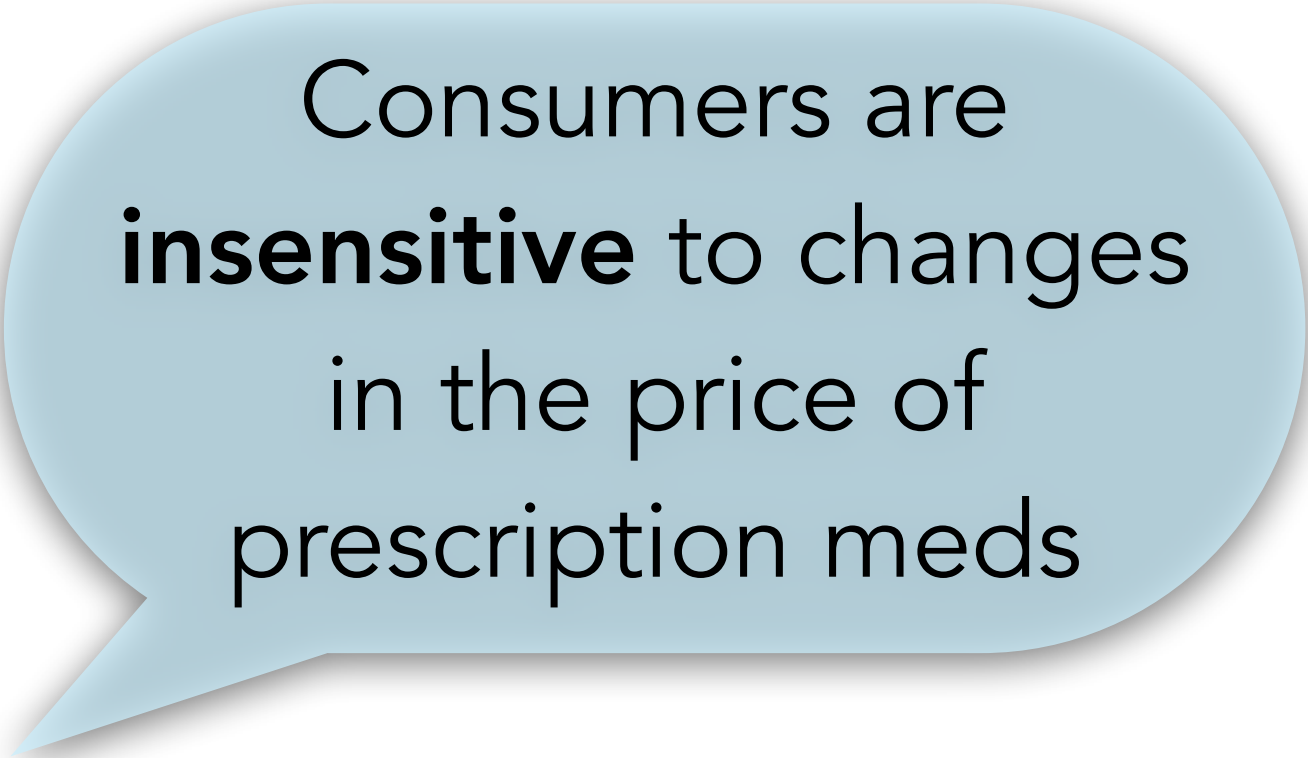


Consumers need  
prescription medication.  
It must be purchased  
regardless of the price

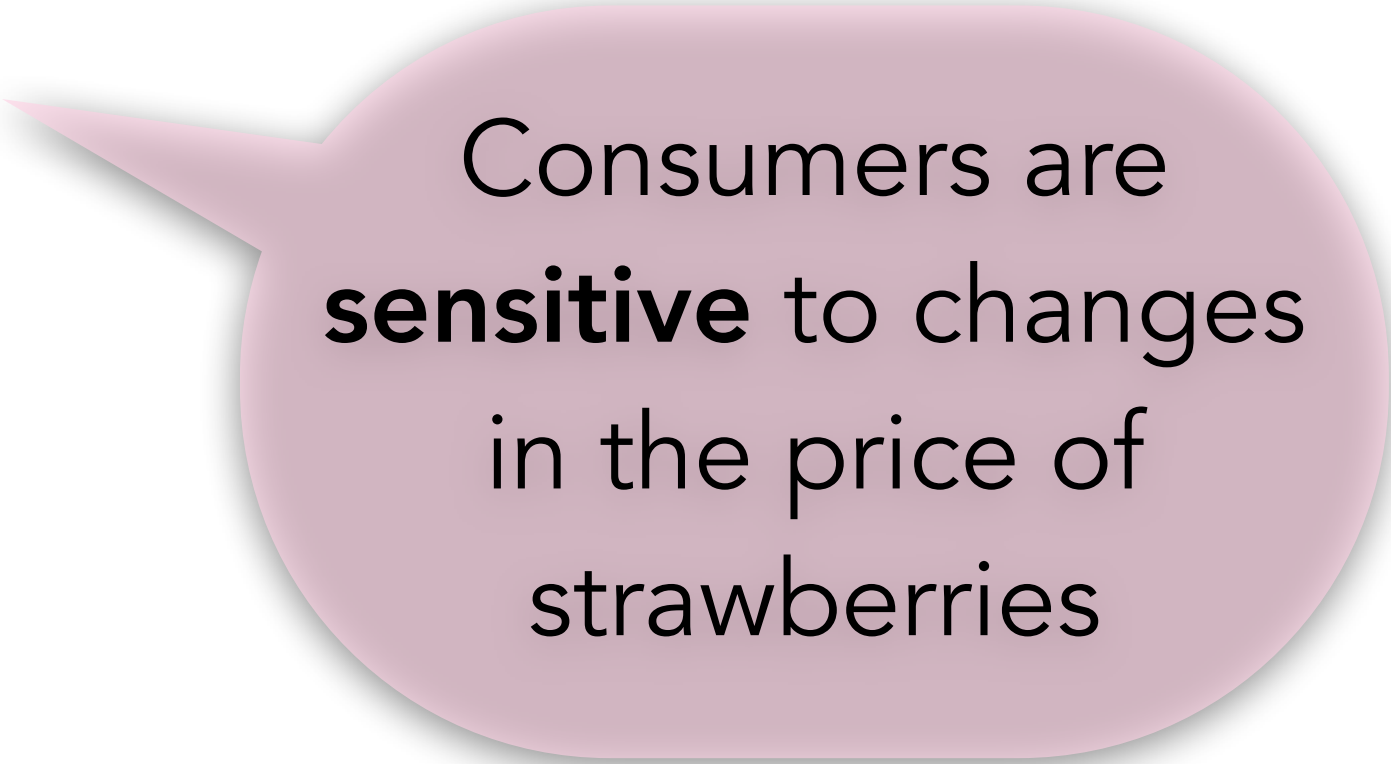




Consumers  
don't need  
strawberries...they  
can buy a different  
fruit



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