





Example: The price elasticity of demand = -0.5

Calculate the size of the change in price necessary to cause a 10% reduction in Q^d



-10 $\Delta P =$ -0.5

$\Delta P =$ +20























































































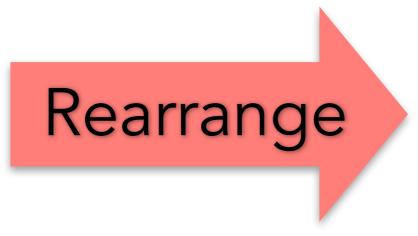












 ΔO^{d} end ΔP

$$e_p d = \frac{\% \Delta Q^d}{\% \Delta P}$$
 Rearrange $\% \Delta P = \frac{\% \Delta Q^d}{e_p d}$

Example: The price elasticity of demand = -0.5Calculate the size of the change in price necessary to cause a 10% reduction in Q^d

$$^{?}_{\text{MP}} = \frac{-10}{-0.5}$$

$$\%\Delta P = +20$$

In order to cause a 10% drop in Q^d price must increase by 20%

$$e_p d = \frac{\% \Delta Q^d}{\% \Delta P}$$

