







1

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1

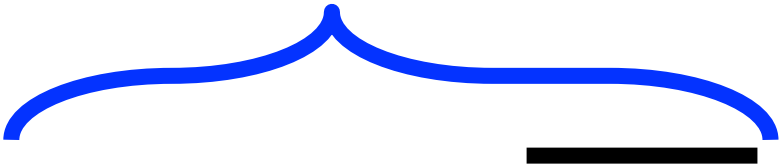
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3

0

Big drop in  $Q$











[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]





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↑

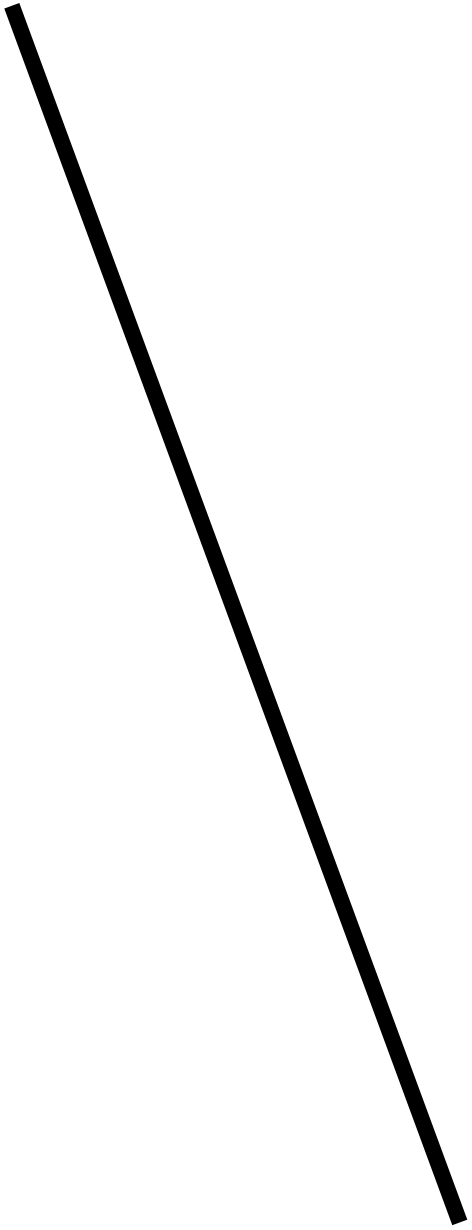
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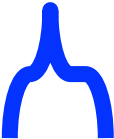
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5











This consumer's reaction  
is larger than the change  
in price









Small drop in  $Q$

Consumers who over-react to a price drop also  
over-react to a price increase...



If Price

increase

This consumer's reaction  
is smaller than the change  
in price

If Price  
increase

Consumers who over-react to a price **drop** also  
over-react to a price **increase**...

