

The price elasticity of demand = -0.5

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





$$\% \Delta P = \frac{-10}{-0.5}$$

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



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Y

2





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



Rearrange

$$e_{pd} = \frac{\% \Delta Q_d}{\% \Delta P}$$

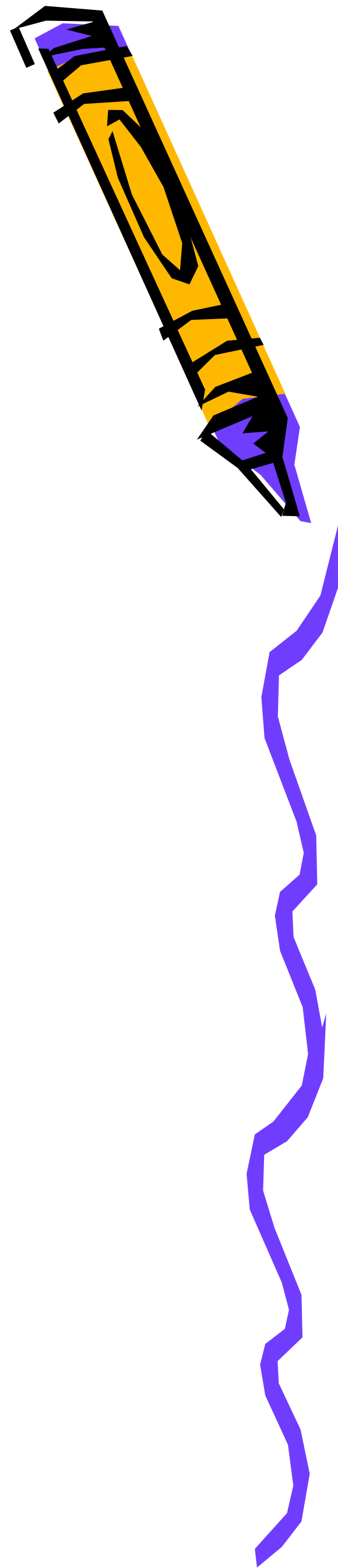
$$e_p^d = \frac{\% \Delta Q^d}{\% \Delta P} \quad \text{Rearrange} \quad \% \Delta P = \frac{\% \Delta Q^d}{e_p^d}$$

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

$$\% \Delta P = \frac{-10}{-0.5}$$

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

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





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

