













The Price Elasticity of Demand compares

$Q^d$  of prescription drugs decrease if the price increases



$Q^d$  of strawberries decrease if the price increases

Size of the change in  $Q^d$

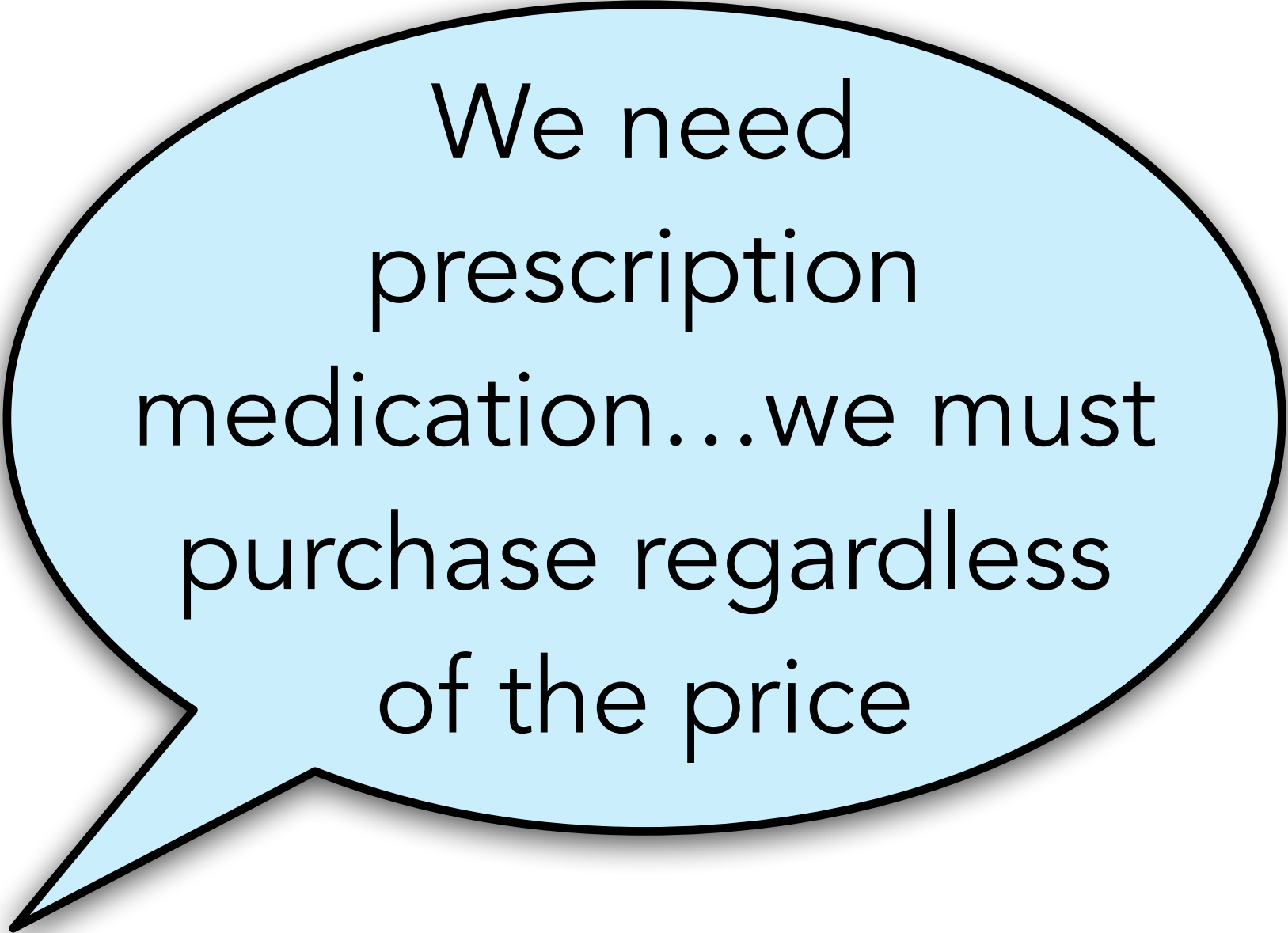
Size of the change in Price



Small drop in  $Q_d$


Large drop in  $Q_d$

with

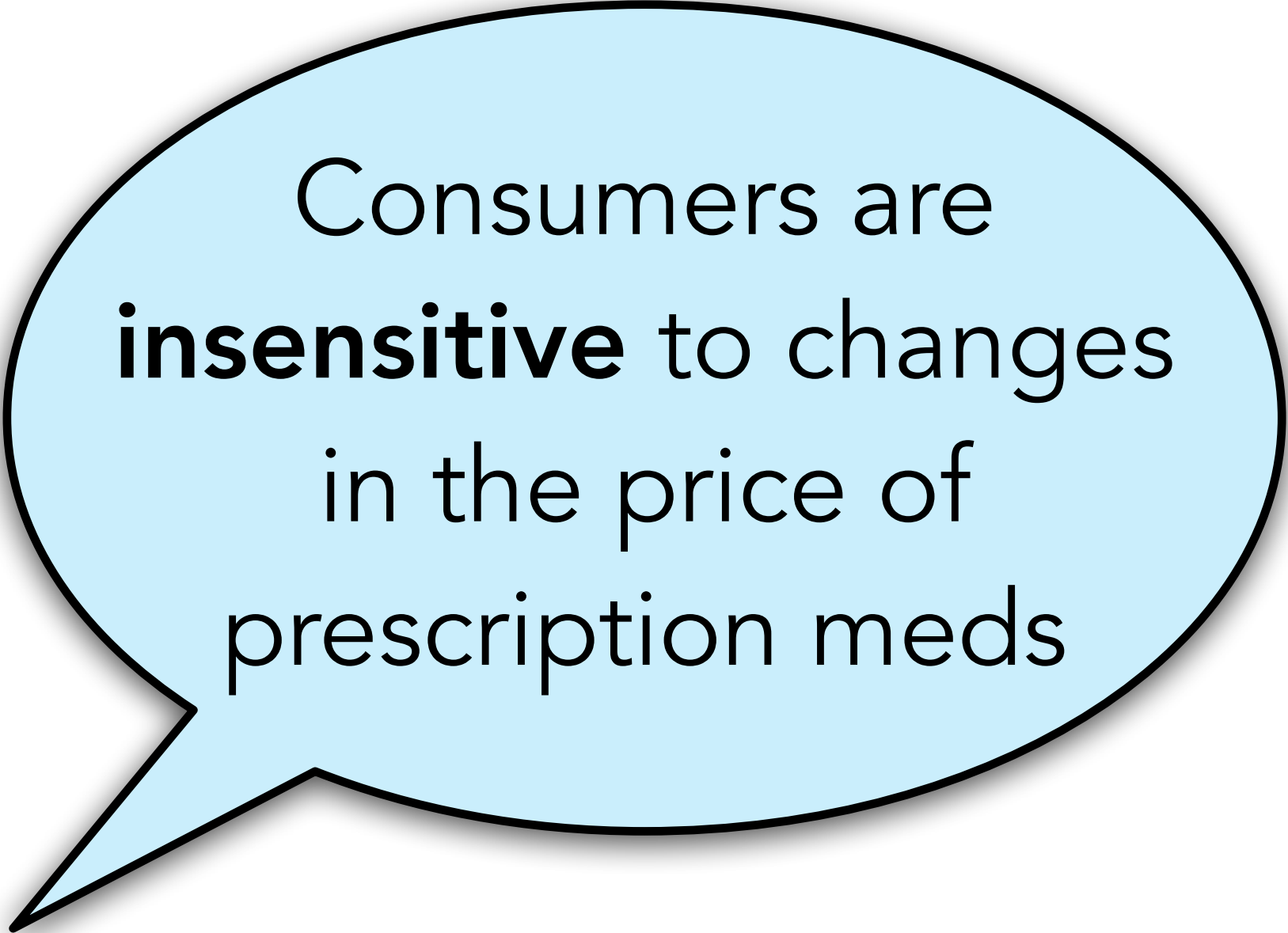


We need  
prescription  
medication...we must  
purchase regardless  
of the price




A pink speech bubble with a black outline and a drop shadow, containing text.

We don't need  
strawberries...we can  
buy a different fruit



Consumers are  
**insensitive** to changes  
in the price of  
prescription meds

A pink speech bubble with a black outline and a drop shadow, containing text.

Consumers are  
**sensitive** to changes  
in the price of  
strawberries

Demand is Elastic ←

Demand is Inelastic



The Price Elasticity of **Demand** compares

**Size** of the change in  $Q^d$

With **Size** of the change in **Price**

$Q^d$  of prescription drugs **decrease** if the price increases

**Demand is Inelastic** ← **Small drop in  $Q^d$**

$Q^d$  of strawberries **decrease** if the price increases

**Demand is Elastic** ← **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